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THE ILLINOIS SECURITIES LAW.

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(APPROVED JUNE 10, 1919, AS AMENDED.)

AN ACT relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith.

SECTION 1. *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* This Act shall be known as "The Illinois Securities Law."

Sec. 2. The words and phrases used herein shall, unless the context otherwise indicates, have the following meaning:

(1) The word "securities" shall mean and include stock, *treasury stock*, bonds, debentures, *investment contracts*, notes, *evidences of indebtedness*, participation certificates, certificates of shares or interest, preorganization certificates and *preorganization* subscriptions, certificates evidencing shares of or interest in trust estates or associations, profit sharing agreements or certificates; or any certificate, contract or instrument whatsoever, representing or constituting evidence of, or secured by, title to or interest in, or any lien or charge upon, the capital

or any property or assets of the Issuer thereof, and any oil, gas or mining lease, and interests, units or shares in any such lease or leases, income contracts, annuity contracts unless issued by insurance companies, bankers shares, trustees shares, investment participating bonds, investment trust debentures, units, shares, bonds, debentures and certificates in, for, respecting or based upon any form of securities or collateral, subscriptions and contracts covering or pertaining to the sale and / or purchase of securities on the installment plan, and any other instrument commonly known as a security.

(2) The word "issuer" shall include every person and every company, trust, partnership or association incorporated or unincorporated heretofore or hereafter formed *which proposes to issue*, which shall have issued or which shall hereafter issue any security. Any natural person who acts as a promoter for and on behalf of a corporation, trust or unincorporated association or partnership of any kind to be formed shall be deemed to be an issuer. As used in this Act the term "trust" shall be deemed to include a common law trust, and all other trusts, except a trust created or appointed under or by virtue of a last will and testament or by a court of law or equity or any charitable trust.

(3) The word "file" or "filing" within the meaning of this Act, shall mean the endorsement thereof by the Secretary of State on any statement or document received of the word "filed" followed by the month, day, year, and name of Secretary of State, for the purpose of showing that, in his opinion, the issuer, solicitor, agent, broker, dealer or owner has complied with the provisions of this Act, and no statement, document or other instrument deposited with the Secretary of State shall be treated or considered as filed unless and until so endorsed.

(4) The terms "sale", "offer for sale" or "sell" shall include every disposition, or attempt to dispose, of a security or interest in a security for value. The term "sale" means and includes contracts and agreements whereby securities are sold, traded or exchanged for money, property or other thing of value, or any transfer or agreement to transfer, in trust or otherwise. Any security given or delivered with, or as a bonus on account of, any purchase of securities or other thing of value, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The term "sell" means any act by which a sale is made and the term "sale" or "offer for sale" shall include a subscription, an option of sale, a solicitation of sale, an attempt to sell, or an offer to sell, directly or by an agent, by a circular, letter or advertising, or otherwise; provided, however, that nothing herein shall limit or diminish the full meaning of the terms "sale", "sell" or "offer for sale" as used by or accepted in courts of law or equity.

(5) The terms "dealer" or "broker" shall include every person and every company, firm, trust, partnership or association, incorporated or unincorporated, other than a solicitor or issuer, that engages either wholly or in part in the business of selling, offering for sale, negotiating for the sale of or otherwise dealing in any securities issued by another or by others, or underwriting, purchasing or otherwise acquiring such securities from another for the purpose of reselling them or of offering

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them for sale, or offering, buying, selling or otherwise dealing or trading in securities as broker, agent or principal, or who deals in futures or differences in market quotations of prices or values of any securities or accepts margins on purchases or sales or pretended purchases or sales of such securities.

(6) *The terms "solicitor" and "agent" shall include every natural person, other than dealer, broker or issuer, employed or appointed or authorized by a dealer, broker or issuer, to sell securities in any manner in this State, or who takes subscriptions for the sale of any securities. (As amended by Act approved June 11, 1921 and July 2, 1925).*

Sec. 3. For the purposes of this Act securities are divided into four classes, as follows:

(1) Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";

(2) Securities, the inherent qualities of which, or in the nature of one or both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";

(3) Securities based on established income, which shall be known as securities in Class "C";

(4) Securities based on prospective income, which shall be known as securities in Class "D".

Sec. 4. Securities in Class "A" shall comprise securities:

(1) *Issued or guaranteed by a government, or by any state, province or political subdivision thereof, or by any governmental agency, or by any body having power of taxation or assessment;*

(2) *Issued by any National Bank, or by any State Bank or trust company of this State, or by any building and loan association of this State, or by any insurance company under the supervision of the Department of Trade and Commerce of this State;*

(3) *Issued or guaranteed by any corporation operating any public utility in the United States or any state thereof or in the Dominion of Canada or any province thereof wherein there is or was at the time of issuance thereof in effect any law regulating such utilities and the issue of securities by such corporation, and evidences of indebtedness secured by collateral consisting of any securities herein above in this paragraph three (3) described, provided that such collateral securities equal in par value 125% of the par value of the evidences of indebtedness so secured;*

(4) *While listed and dealt in on the New York, Boston or Chicago Stock Exchange, respectively, pursuant to official authorization by such exchanges, respectively, and securities senior to any securities so listed and dealt in, or guaranteed by any corporation, the common capital stock of which is so listed and dealt in;*

(5) *Issued and outstanding in the hands of the public prior to June 10, 1919, of corporations whose business has been continuously in operation since that date, provided, that financial statements of the issuing corporation appeared in any standard manual of securities for*

the year 1920, approved by the Secretary of State, or provided that quotations of such securities have appeared in tabulated market reports published as news items, and not as advertising, in a daily newspaper of general circulation published in the English language, in any city of two hundred thousand inhabitants or over in the State of Illinois, at least twelve times in each of the years 1919 and 1920, respectively, and at least twelve times during the twelve calendar months next preceding the offering for sale thereof;

(6) Issued by any corporation organized not for pecuniary profit or organized exclusively for educational, benevolent, fraternal, charitable or reformatory purposes;

(7) *Being notes or bonds secured by a mortgage lien upon real estate or leasehold (other than oil, gas and mining leases) in any state or territory of the United States or in the Dominion of Canada: (a) when the mortgage is a first mortgage on real estate or leasehold and when the aggregate face value of such notes or bonds (but not including interest notes or coupons) secured thereby does not exceed eighty (80) per centum of the fair market value of such real estate or leasehold, and when in the case of a leasehold each of such notes or bonds secured thereby (but not including interest notes or coupons) bears across the text and face thereof a legend, in red letters not less than one-half inch in height stating that the mortgage securing such notes or bonds is on a leasehold; (b) when the aggregate face value of the notes or bonds (but not including interest notes or coupons) secured by a first mortgage lien upon real estate and buildings or lease hold and buildings, in good faith, forthwith to be erected thereon, according to the terms of the mortgage, does not exceed eighty (80) per centum of the fair market value of such real estate and buildings or leasehold and buildings and each of such notes or bonds secured thereby (but not including interest notes or coupons) bears across the face and text thereof a legend, in red letters not less than one-half inch in height stating that the note or bond is a construction note or bond, and stating in addition, in the case of a leasehold, that the mortgage securing such notes or bonds is on a leasehold; (c) when the mortgage lien is a junior mortgage upon real estate or leasehold (other than oil, gas and mining leases) and the aggregate face value of such mortgage and notes or bonds secured thereby, together with all other existing prior and / or concurrent liens of equal or superior rank, (but not including interest notes or coupons) does not exceed ninety (90) per centum of the fair market value of such real estate or leasehold, provided, that the mortgage and notes or bonds secured thereby (but not including interest notes or coupons) shall each bear across the face and text thereof a legend in red letters not less than one-half inch in height, stating (1) that the mortgage is a junior mortgage, and (2) that the mortgage is on a leasehold, if that be the case;*

(8) Being a note secured by first mortgage upon tangible or physical property, when such mortgage is assigned with such securities to the purchaser;

(9) Evidencing indebtedness due under any contract made in pursuance to the provisions of any statute of any state of the United

States providing for the acquisition of personal property under conditional sale contract;

(10) Being negotiable promissory notes given for full value and for the sole purpose of evidencing or extending the time of payment of the price of goods, wares or merchandise purchased by the issuer of such notes in the ordinary course of business, and *promissory notes or commercial paper running not more than twelve months from the date of issue, and shall be issued within three months after the date of sale;*

(11) Being subscriptions for or sales of shares of the capital stock of a corporation prior to the incorporation thereof under the laws of the State of Illinois, when no expense is incurred, or no commission, compensation or remuneration is paid or given for or in connection with the sale or disposition of such securities;

(12) *Bonds or notes secured by lien on freight and / or passenger vessels shown by policies of marine insurance taken out in responsible companies to be of value, after deducting any or all other indebtedness secured by prior lien, of not less than 125% of the par amount of such bonds or notes.*

It shall not be necessary to file any statement in the office of the Secretary of State with reference to securities in Class "A", and subject to the provisions of section twenty-three (23) of this Act as to owners, dealers, brokers, solicitors and agents, securities of Class "A" may be offered for sale and sold in this State. (As amended by Act approved June 11, 1921 and July 2, 1925).

Sec. 5. Securities in Class "B", being exempted sales, shall include:

(1) *An isolated sale of any security by a bona fide owner thereof, or his representative, for the owner's account, such sale not being made in the course of repeated and successive transactions of a like character, and such owner not being a broker or dealer in securities or an underwriter of such securities;*

(2) *Capital stock of a corporation when sold or distributed by it among its stockholders without the payment of any commission or expenses to agents, solicitors or brokers, and without incurring any liability for any expenses whatsoever, in connection with the distribution thereof;*

(3) *Securities when sold by or to any bank, trust company or insurance company or association organized under the banking or insurance laws of this State or of the United States, or doing business in this State under the supervision of the Department of Trade and Commerce; or of the Auditor of Public Accounts; or by or to any building and loan association organized and doing business under the laws of this State, or any public sinking fund trustees;*

(4) *Securities when sold to any corporation, or any broker or dealer in securities;*

(5) *Securities when sold or offered for sale at any judicial, executor's or administrator's sale, or at any sale by a receiver or trustee in insolvency or bankruptcy, or at a public sale by auction held at an advertised time and place.*

Securities when disposed of by the persons and in the manner provided by this section, shall not be subject to the provisions of this

Act in such transactions; provided, however, that such securities shall not be resold, except as is in this section provided, without compliance with the provisions of this Act. (As amended by Act approved June 11, 1921).

Sec. 6. Securities in Class "C" shall comprise the following:

Those issued by a person, corporation, firm, trust, partnership or association owning a property, business or industry which has been in continuous operation not less than two years and which has shown during a period of not less than two years prior to the filing of the statement herein provided for, average annual net profits, exclusive of all prior charges, as follows:

(1) In the case of interest bearing securities, not less than one and one-half times the annual interest charge *thereon and upon all other outstanding interest bearing obligations of equal rank*;

(2) In the case of preferred stock, not less than one and one-half times the annual dividend on such preferred stock *and on all other outstanding stock of equal rank*;

(3) In the case of common stock, not less than 3% per annum upon such common stock, *(or in the case of common stock of no par value, upon the price at which the same is, or is to be, offered), and on all other outstanding common stock.* (As amended by Act approved June 11, 1921).

Sec. 7. Securities in Class "C" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

(a) A statement shall be filed in the office of the Secretary of State:

(1) Describing the evidences of indebtedness, preferred stock or common stock intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account;

(4) Giving the names and addresses of its principal officers and of its directors or trustees;

(5) Giving pertinent facts, data, and information establishing that the securities to be offered are securities in Class "C".

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Securities in Class 'C' under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

(b) By and with the consent and approval in writing of the Secretary of State any security in Class "C" may be offered for sale or sold before the filing of the statement with respect thereto herein above in Paragraph (a) of this section seven (7) referred to, anything in this statute to the contrary notwithstanding such consent to be conditioned upon there being deposited in the office of the Secretary of State by the issuer or any party interested in the sale of such security:

1. A notice briefly describing the securities to be offered and stating the price at which such securities are to be offered to the public, the amount of the issue and the amount to be sold in Illinois;

2. The fee with respect to such securities prescribed in section 26 of this statute;

3. A copy of the circular to be used in selling or offering for sale such securities;

4. Such additional information as may be required by the Secretary of State; provided that within thirty days after the deposit of such documents, or within such further time as the Secretary of State may prescribe, there shall be filed in the office of the Secretary of State the statement with respect to such securities provided for in Paragraph (a) of this section seven (7); and further provided, that no issuer or other party shall offer, advertise or sell any such security prior to the filing by the Secretary of State of the statement herein above in Paragraph (a) prescribed unless such issuer or other party shall have on file in the office of the Secretary of State an irrevocable consent and power of attorney with respect to the sale of Class "C" securities as provided in section 16 of this Act; and shall also have on file in the office of the Secretary of State a good and sufficient bond in the sum of not less than \$50,000.00, payable to the People of the State of Illinois, for the protection, use and benefit of purchasers and of all persons in interest, executed by a surety or guaranty company authorized to do business in this State conditioned that in the event the statement with respect to any securities shall not be filed, as above provided, the obligor in such bond will repay to any purchaser from such obligor, on demand and tender of such securities, the purchase price paid therefor. (As amended by Act approved June 11, 1921.

Sec. 8. All securities other than those falling within Class "A", "B", and "C", respectively, shall be known as securities in Class "D".

Sec. 9. No security in Class "D", shall be sold or offered for sale until there shall have been filed in the office of the Secretary of State, statements and documents as follows:

(1) A description and amount of the securities intended to be offered for sale;

(2) If the issuer is a corporation, a certified copy of the charter or articles of incorporation and by-laws;

(3) If the issuer is a firm, trust, partnership or unincorporated association, a copy of the articles of partnership, association or trust agreement;

(4) The names, addresses and prior occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers, directors or trustees of the

issuer, if it be a corporation, or of the persons composing the issuer, if the issuer be a non-incorporated association;

(5) A description of the nature of the industry engaged in or intended to be engaged in and the approximate time when such industry was or will be established;

(6) An inventory showing the assets of the issuer;

(7) An appraisalment of the assets of the issuer;

(8) A statement in detail of the gross income of the issuer and the source or sources thereof and of its operating and other expenses for a period of twelve (12) months prior to the date of filing such statement, or for the period of the existence of the issuer if less than two years prior to the date of filing;

(9) A copy of the most recent balance sheet of the issuer, showing the financial condition of the issuer at a date not more than thirty (30) days prior to the date of filing, and giving an analysis of surplus account from inception of such issuer;

(10) A copy of the mortgage, trust deed, indenture or writing securing the securities, [or] whereunder the same are issued, if any such instrument there be;

(11) A copy of the form of the securities intended to be offered;

(12) A copy of any and all subscription blanks to be used in the sale thereof, which subscription blanks shall have printed thereon, "These are speculative securities".

(13) A statement as to the manner in which the securities are to be offered and sold;

(14) If the securities be intended to be offered and sold by the issuer through solicitors, agents or brokers, an irrevocable contract executed by each such solicitor, agent or broker authorized to offer or sell such securities by or on behalf of the issuer to the effect that the issuer will receive in cash not less than 80% of the proceeds of each sale of the securities without deduction for any commission or expenses, directly or indirectly, and without liability to pay any sum whatsoever as commission or expenses or for services in and about such sale;

If the securities shall have been or be intended to be sold to any dealer, solicitor, agent or broker and intended to be by such dealer, solicitor, agent or broker sold to the public for their own account, a statement verified under oath, establishing that the price paid to the issuer was or will be without any fixed or contingent right in the issuer to demand or receive any additional sum on account of such securities or the sale thereof;

(15) A summary of the material facts disclosed by the preceding statements;

(16) Such other facts relative to such securities as the Secretary of State shall prescribe.

Such statements and documents shall, except as otherwise provided herein be verified by the oath of not less than two of the officers of the issuer, if the issuer be a corporation, or by not less than two members of a firm, trust, partnership or association, if the issuer be non-incorporated.

The Secretary of State may require further and additional verification under the oaths of other persons.

Sec. 10. With the statement required to be filed in the office of the Secretary of State with reference to securities in Class "D", there shall also be filed an inventory, in such detail as the Secretary of State shall require; showing the assets of the issuer as of a date not more than thirty (30) days prior to the date of filing thereof. Such inventory shall be accompanied by an appraisalment made by a *disinterested* qualified person or persons *who may be selected by the Secretary of State*, showing the value of the assets described in such inventory. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated.

Such appraisalment shall be verified by the oath of the person or persons making the same. (As amended by Act approved June 11, 1921.)

Sec. 11. At any time, either before or after the filing of any statement required by this Act to be filed with reference to securities in Class "C" or Class "D" the Secretary of State may designate a certified public accountant to make an examination of the books, records, papers and documents, of the issuer and make a report of the examination thereof to the Secretary of State. The Secretary of State shall fix the compensation of such certified public accountant in advance and shall notify the issuer thereof of the amount so fixed, which compensation shall be paid by the issuer to such certified public accountant as his compensation for making such examination.

The Secretary of State may secure information from or through others and may make or cause to be made investigations respecting the business, affairs and property of the issuer, and in financing by the sale of securities in Class "D", the Secretary of State in his discretion may require that the capital to be obtained by such sales, be held intact until the completion of the sale of securities, or so much or such portion of the issue to be sold as may in the opinion of the Secretary of State prevent loss of such capital or fraud upon the purchasers of such securities, and for such purpose take bond to the People of the State of Illinois for the use and benefit of such purchasers with sufficient sureties, or may accept other safeguards in lieu thereof; and may require financial statements and reports of the issuer so often as circumstances appear to warrant. (As amended by Act approved June 11, 1921.)

Sec. 12. If the statement as to securities in Class "D" shall disclose that any of such securities shall have been or shall be intended to be issued for any patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, the amount and nature thereof, shall be fully set forth, and securities issued in payment of such patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, shall be delivered in escrow to such bank or trust company as shall be designated by the Secretary of State under an escrow agree-

ment that the owners of such securities shall in case of dissolution or insolvency not participate in the assets of the corporation until after the owners of all other securities have been paid in full. Such escrow agreement shall remain in full force until the securities of the issuer thereof are qualified under Class "C" hereof.

Sec. 13. If the statement as to securities in Class "D" discloses that such securities are intended to be offered or sold by the issuer, through a solicitor, agent or broker, a statement giving the names, residences, qualifications, occupations and business experience of such solicitor, agent or broker for a period of ten years prior to the filing, and the name and address of each employer, the period of employment and reason for resignation or discharge, shall be filed in the office of the Secretary of State. The signatures of each and every of such solicitors, agents or brokers, shall be attached to such statement. If after the filing of such statement the issuer shall appoint any additional solicitor, agent or broker to offer or sell such securities before any such additional solicitor, agent or broker, shall offer or sell any such securities, there shall be filed like statements.

Sec. 14. After qualification of securities in Class "D" by the issuer, any dealer or owner may sell such securities upon filing in the office of the Secretary of State, a statement verified by the oath of such dealer or owner as otherwise provided by this Act, a statement of the amount and description of the securities to be sold by him or it, the maximum price for which they are to be sold, his or its address by street and number, qualification, occupation, and business experience of such dealer or owner for a period of ten years prior to filing such statement, giving name and address of each employer, the period of employment and the reason for resignation or discharge.

Sec. 15. Not less than 25 printed or typewritten copies of the summary of the statement required to be filled with reference to securities in Class "D" shall be deposited in the office of the Secretary of State. The printed or typewritten copies so deposited shall bear at the top in bold face type the expression:

"Securities in Class 'D' under Illinois Securities Law: These are speculative securities", followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois nor any officer of the State assumes any responsibility for any statement contained herein nor recommends any of the securities described below".

Sec. 16. Before any securities in Classes "C" or "D" shall be sold or offered for sale the issuer or person intending to sell or offer for sale such securities shall file in the office of the Secretary of State a written irrevocable consent and power-of-attorney, that suits at law or in equity arising out of or founded upon the sale or offering for sale of any of such securities may be commenced against the corporation or person executing such power-of-attorney in any court of competent jurisdiction within this State, in any county in which the plaintiff or complainant resides, or in which the cause of action may have arisen, by the service of process upon the Secretary of State, and therein

agreeing and stipulating that such service of process upon the Secretary of State shall be taken and held in all courts to be as valid and binding, as if due service had been made upon the corporation or person executing such power-of-attorney, according to the law of this State. Such instrument if the owner be a corporation, shall be signed by its chief executive and chief recording officer under its corporate seal, if it have [has] one, pursuant to a resolution of its governing body, a certified copy of which resolution shall be attached to such irrevocable consent and power-of-attorney, or if a person or a non-incorporated association then signed and acknowledged by such person or by all the members of such non-incorporated association. Whenever any process is served upon the Secretary of State, he shall at once forward a copy of the same by registered mail to the defendant at his or its last address of record in the office of the Secretary of State.

Sec. 17. Before filing any statement or document with reference to securities in Class "C" or Class "D" the Secretary of State shall within a reasonable time examine the same and, if the same is incomplete, inadequate, evasive or otherwise not in conformity with the provisions of this Act, or if the sale or offering for sale of securities based upon the plan or scheme evidenced by the statements and documents offered to be filed, would in the opinion of the Secretary of State work or tend to work a fraud upon the purchaser of such securities the Secretary of State shall refuse to file the same. Otherwise such statements or documents shall be filed by the Secretary of State. Upon the filing of such statements or documents by the Secretary of State, the issuer, solicitor, agent, broker, dealer or owner may proceed to sell the amount of securities proposed to be sold or disposed of in this State, but no written or printed evidence of the compliance with this Act shall be issued by the Secretary of State. The Secretary of State may, either before or after such statements and documents are filed, propound interrogatories to the persons filing, or offering to file, such statements or documents, respecting any facts required to be stated with reference to such securities. Such interrogatories shall be answered under oath. If such interrogatories relate to a statement or document offered to be filed, such statement or document shall not be filed until such interrogatories are answered, and not then unless such statement and document and the answers to such interrogatories disclose conformity with this Act. If such interrogatories relate to a statement or document already filed, such interrogatories shall be answered within twenty days or within such further time as the Secretary of State shall prescribe. If not answered within twenty days or within any extension thereof, the sale or offering for sale of the securities covered by the statement or document to which the interrogatories relate, shall be unlawful.

Sec. 18. Whenever the Secretary of State refuses to file any statement or document presented under the provisions of this Act, the person presenting such statement or documents for filing may within thirty days thereafter, file a petition in the Circuit Court of Sangamon County, against the Secretary of State, officially as defendant, *to review his action in refusing to file such statement or document,*

alleging therein, under oath, in brief detail, the right of *the petitioner* to sell securities in this State, and praying that the Secretary of State be required to file in his office such statement or document.

If, upon a hearing, the court shall find upon consideration of the statement or document and other pertinent evidence that the sale or offering for sale of securities upon the basis, plan or scheme evidenced therein and thereby will not work or tend to work a fraud upon the purchaser or purchasers of such securities, and shall further find that the Secretary of State wrongfully concluded that the sale or offering for sale of such securities would work or tend to work a fraud upon purchasers thereof, and that the petitioner is entitled to the benefits of and has complied with the provisions of this Act, the court may order such statement or document filed.

Either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court. Judgment against the petitioner shall not bar his right to file a new statement or document under the provisions of this Act, nor shall judgment in favor of the petitioner prevent the Secretary of State from thereafter applying for an injunction, or otherwise proceeding, as is provided in this Act. Merely technical irregularities in the procedure of the Secretary of State shall be disregarded and the burden of proof on all questions in controversy shall rest upon the petitioner. (As amended by Act approved June 11, 1921.

Sec. 19. Every expression or statement made as an inducement to procure the filing of the information required by the provisions of this Act, either concerning Class "C" or Class "D" securities, shall be reduced to writing and verified under oath by the person making such expression or statement.

Sec. 20. So long as any security is sold or offered for sale under the provisions of this Act, such person, issuer, dealer, solicitor, agent or broker shall on or before the expiration of each six months' period, from the date of filing the original statements and documents, and oftener if required by the Secretary of State, file new or supplemental statements disclosing:

(1) The amount of securities sold, the sale price thereof and the amount of cash proceeds received therefor by the issuer;

(2) All changes in the financial conditions of the issuer or in its management or property, accompanied by a copy of the most recent balance sheet of the issuer showing the financial condition of the issuer at a date not more than 30 days prior to the date of such filing, and such other facts as the Secretary of State may require.

Such supplemental statement shall also be accompanied by not less than twenty-five wholly typewritten or printed copies of such summary of such supplemental statement, which summary shall be filed in the office of the Secretary of State.

Such supplemental statement shall be verified in the same manner as the original statement.

Sec. 21. Each financial statement, prospectus, advertisement, circular and document circulated, published or distributed for the purpose of effecting sales of securities in Class "D" shall contain the words, in bold faced type, "Securities in Class 'D' under Illinois Securities Law.

These are speculative securities." But it shall be unlawful to make any other reference in any such matter to the fact that the issuer, solicitor, agent or broker has complied with the provisions of this Act. All such matter shall also contain a statement of the assets, liabilities, income and expenses of the issuer, the law under which the issuer was incorporated or organized, and the names and addresses of all officers, directors or trustees, of the issuer or of the owner of the property constituting the basis of the issue of such securities. A copy of each such financial statement, prospectus, advertisement, circular and document so circulated, published or distributed shall be filed in the office of the Secretary of State within ten (10) days after the first circulation, publication or distribution thereof. It shall be unlawful to print, publish, circulate or distribute such matter showing the earnings of other companies or corporations engaged in a similar business.

It shall be unlawful for any issuer, solicitor, agent or broker in any advertisement intended to promote the sale of securities in Class "C" to make any reference whatsoever to the fact that such issuer, solicitor, agent or broker has complied with the provisions of this Act.

Sec. 22. The Secretary of State shall, upon request therefor, mail or deliver to any person a copy of the summary of the statements or supplemental statements required to be deposited in his office.

Sec. 23. (1) *Notwithstanding any other provisions of this Act, hereafter no person, owner, dealer and broker, or solicitor or agent, shall offer for sale or sell securities within this State unless registered with the Secretary of State as owner, dealer and broker, or as solicitor or agent, provided, however, that registration shall not be required of any one when engaged solely in making sales specified as exempt in section five (5) of this Act. Any person, firm or partnership or corporation, of good repute, upon entering into bond in the penal sum of two thousand (\$2,000) dollars payable to the people of the State of Illinois for the use and benefit of all persons interested, with terms, conditions and in form to be approved by the Secretary of State and with a surety company satisfactory to the Secretary of State as surety, (provided that the Secretary of State in his discretion may in any case require a like bond in larger amount but not in excess of the sum of fifty thousand (\$50,000) dollars, and that the Secretary of State in his discretion may permit a single bond for fifty thousand (\$50,000) dollars with suitable conditions to be filed to cover the requirements of this section twenty-three (23), and also of paragraph (b) of section seven (7) of this Act), and on the payment of a fee of twenty-five (\$25.00) dollars and on such other reasonable conditions as may be imposed by the Secretary of State may become a registered owner, dealer and broker, and if and when duly registered, but not otherwise, may offer for sale and sell securities in Classes "A", "C" and "D" as otherwise provided and prescribed in this Act. Solicitors and agents of good repute, appointed by an issuer or registered owner, dealer or broker may become registered solicitors and agents upon the payment of a fee of five dollars (\$5.00) and on such other reasonable conditions as may be imposed by the Secretary of State, and when duly registered, but not otherwise, may offer for sale and sell securities in Classes "A",*

"C" and "D", as otherwise provided and prescribed in this Act; provided that the maximum fee to be paid for the registration of all agents or solicitors appointed by any one issuer or any one registered owner, dealer, or broker shall not exceed the sum of \$300.00.

(2) The Secretary of State shall not issue any certificate or written evidence to any person registered as an owner, dealer, broker, solicitor or agent. The finding of the Secretary of State that any person, firm, co-partnership or corporation may act as a dealer, broker, solicitor or agent within this State shall take the form solely of entering the name in a suitable record for that purpose which shall be open to the public; and the finding of the Secretary of State that such registration should be cancelled shall be in the form of an order to that effect and shall be noted upon the register. Each registration under this section shall expire the 30th day of June in each year.

(3) Whenever the Secretary of State shall have reasonable ground to believe that any registered owner, dealer, broker, solicitor or agent has violated any of the provisions of this Act, or is conducting business in a manner tending to work a fraud, the Secretary of State may require such owner, dealer, broker, solicitor or agent to give in detail and under oath such information as may be demanded or required by the Secretary of State to determine the question of such violation or conduct of business tending to work a fraud, and the Secretary of State shall in such cases have power to investigate and examine into the business and affairs of such owner, dealer, broker, solicitor or agent, and to administer oaths and by subpoena or other notice require persons to appear, submit to examination under oath, and to produce books, records, papers and files of any such proceedings pertinent to and reasonably required to determine the question of such violation of law or conduct of business tending to work a fraud. Any Circuit Court of this State or any Judge thereof, either in term time or vacation, upon the application of the Secretary of State may in his discretion compel the attendance of witnesses, the production of books, papers, accounts and documents and the giving of testimony before the Secretary of State by an attachment for contempt or otherwise in the same manner as production of evidence may be compelled by said court.

(4) The Secretary of State shall have the power at any time after five days notice to the registered owner, dealer, broker, solicitor or agent when in the opinion of the Secretary of State the further sale of securities by such owner, dealer, broker, solicitor or agent would work or tend to work a fraud, or when such owner, dealer, broker, solicitor or agent has violated any of the provisions of this Act, to suspend or cancel the registration of such owner, dealer, broker, solicitor or agent, and thereafter the sale or offering for sale of any securities by such owner, dealer, broker, solicitor or agent shall be unlawful, and the Secretary of State, may rescind such action when in his opinion the registration of such owner, dealer, broker, solicitor or agent should be restored; the order suspending or canceling any registration, and any rescission therefor, shall be reduced to writing and signed by the Secretary of State, and any owner, dealer, broker, solicitor or agent, or other person aggrieved by or interested in any such suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of

State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this section of this Act shall be the same as are provided by section eighteen (18) of this Act with respect to review of orders of the Secretary of State refusing to file statements, and such order of the Secretary of State shall be in force as and when entered and shall remain in force and effect pending reviews thereof and appeals from such order of the Secretary of State.

(5) *In addition to the penalties and other remedies provided in this Act, the Secretary of State shall, when in his opinion and judgment sales of securities by any owner, dealer, broker, solicitor or agent will work or tend to work a fraud upon purchasers, without notice, apply for an injunction, and the courts shall have power to restrain owners, dealers, brokers, solicitors and agents; in so far as applicable the provisions of section eighteen (18) and paragraph one (1) of section twenty-four (24) shall govern such actions. (As amended by Act approved July 2, 1925).*

Sec. 24. (1) *In case any statement or document submitted or filed in the office of the Secretary of State shall, in the judgment of the Secretary of State, in any material part thereof be inadequate, insufficient or not in compliance with this Act, or in case the basis, plan or scheme disclosed by such statements or documents, adopted or filed, would, in the judgment of the Secretary of State, work or tend to work a fraud upon purchasers, or if it shall be made to appear to the Secretary of State, by complaint, through investigation or otherwise, that the statements and documents filed with respect to any securities are false or deceptive in any material particular, or if it shall be made to appear to the Secretary of State that insolvency exists or that conditions with respect to any such securities have so changed that the further sale or offering for sale thereof would work or tend to work a fraud on purchasers thereof, or that any of the terms and provisions of this Act, have not been complied with, or if it shall appear to the Secretary of State by complaint, upon investigation or otherwise, that any securities have been sold or are being offered for sale without compliance with, or in violation of any of the provisions of this Act, the Secretary of State shall, in the name of the People of the State of Illinois, through the Attorney General, apply for an injunction in any court of competent jurisdiction to restrain the further sale or offering for sale of such securities; and the court shall have power to restrain the sale or offering for sale of such securities upon such application and may grant injunctions to enforce the provisions of this Act, in addition to the penalties and other remedies in this Act provided; the petitioner shall not be required to give bond in such proceedings and either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court.*

(2) *The Secretary of State shall also have the power at any time, after five days notice to the seller of securities, when insolvency exists or when in the opinion of the Secretary of State the further sale of such securities would work or tend to work a fraud upon purchasers thereof, to suspend or cancel permission to sell such securities in this State, and thereafter the sale or offer for sale of such securities shall be unlawful, and may rescind such action when it shall be made to appear that further*

sales of such securities will not work or tend to work fraud upon purchasers, the order suspending or cancelling such authority to sell securities and any rescission thereof shall be reduced to writing and signed by the Secretary of State; any issuer, corporation or person aggrieved or interested in any such suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this paragraph two (2) of this section shall be governed by the provisions of section 18 of this Act in so far as such provisions may be applied.

(3) *In no case shall the Secretary of State incur any official or personal liability by instituting injunction or other proceedings, or by the suspension or cancellation of the right or authority to sell securities. (As amended by Act approved June 11, 1921.)*

Sec. 25. *The Secretary of State shall have the power and is hereby authorized to make all needful rules and regulations, and from time to time to alter, amend and supplement such rules and regulations as he may deem necessary to carry this Act into full force and effect; provided, however, that any party affected adversely by any order or ruling of the Secretary of State shall have a right of review like unto that specified in paragraph two (2) of section twenty-four (24) of this Act, and pending final decision on such review, and / or of the review and appeals authorized in sections eighteen (18) and twenty-four (24) of this Act, the acts, orders and rulings of the Secretary of State shall be and remain in full force and effect. The Secretary of State shall also have power to limit the charges and commissions of dealers, brokers, solicitors and agents, with respect to Class "D" securities, and to prescribe the time and manner of payment thereof. The Secretary of State may prescribe and furnish forms for all statements, documents and summaries required by this Act to be filed in his office, and such statements, documents and summaries shall follow substantially the forms so prescribed. All statements and documents and all other matters filed in the office of the Secretary of State under the provisions of this Act shall at all proper hours be available for public inspection. (As amended by Act approved July 2, 1925).*

Sec. 26. *Before filing any statements required to be filed hereunder with reference to securities in Class "C" or in Class "D" the person so filing such statements shall pay in advance to the Secretary of State a fee of one-twentieth of one per cent of the amount of the securities to be offered for sale in this State, but in no case shall the fee be less than twenty-five dollars (\$25.00) or more than three hundred dollars (\$300.00).*

Sec. 27. *All oaths required by this Act relating to securities in Class "D" shall be taken before an officer of this State, authorized to administer oaths therein.*

Sec. 28. *Whenever in this Act copies of statements or other documents are required to be furnished to the Secretary of State for distribution, additional copies as requested by the Secretary of State, shall be supplied by the parties filing the original copies or by parties interested in the disposition of such securities.*

Sec. 29. *Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent offering for sale, selling, exchanging or otherwise dealing in securities or in margins or futures on securities, or making purported or pretended purchases or sales of securities without registration pursuant to and without full compliance with the provisions of section twenty-three (23) of this Act, and any owner, dealer, broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent, whether registered under section twenty-three (23) of this Act or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section five (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding ten thousand (\$10,000) dollars for the first offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925).*

Sec. 30. *Any issuer of securities, or any officer, director, trustee, solicitor or agent thereof, whether registered under section twenty-three (23) or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section five (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall for the first offense be punished by a fine in any sum not exceeding ten thousand (\$10,000) dollars, or, if a natural person, by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment in the discretion of the court. (As amended by Act approved July 2, 1925).*

Sec. 31. *Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent, and any issuer of securities or any officer, director, trustee, solicitor or agent of any issuer of securities, who shall be guilty of a second or any subsequent offense as specified in sections twenty-nine (29) and thirty (30) of this Act, upon conviction thereof, shall be fined not exceeding twenty-five thousand (\$25,000) dollars for such second or subsequent offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925).*

Sec. 32. *Any dealer, agent, solicitor or broker, who shall make any statement or representation not authorized by the issuer, or any statement or representation at variance with, or not reasonably predicated upon the statements and documents filed by the issuer in the office of the Secretary of State, shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in any sum not to exceed one thousand dollars (\$1,000.00) for the first offense, and not to exceed five thousand dollars (\$5,000.00) for the second or any subsequent offense, or imprisoned in the county jail not more than six months for the first*

offense, nor more than one year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the court.

Sec. 33. Any person signing any statement, list, inventory, balance sheet or other paper or document required by any provision of this Act to be verified or sworn to, knowing any representation therein contained to be false or untrue (and the depositing of any such statement or document in the office of the Secretary of State shall be deemed *prima facie* evidence of knowledge of the falsity thereof or of any representation therein contained, and of the wilful signing of such statement or document), shall be deemed guilty of perjury and shall be subject to the penalties by the law of this State prescribed therefor.

Sec. 34. It shall be unlawful for any officer, director, trustee, solicitor, agent or broker of or for any issuer, knowing such issuer to be insolvent, to sell any securities issued by such issuer; and any such officer, director, trustee, solicitor, agent or broker who shall make any sale of any securities of and for any such issuer, and by reason of such insolvency of such issuer, the price paid for such securities or any part thereof shall be lost to the purchaser, shall be deemed guilty of embezzlement and upon conviction thereof shall be fined in a sum not less than one thousand dollars (\$1,000.00) nor more than ten thousand dollars (\$10,000.00) or may be imprisoned in the State penitentiary for not less than one year nor more than five years, or may be both fined and imprisoned, in the discretion of the court. For the purpose of this section, an issuer shall be deemed insolvent whenever the aggregate of its property shall not, at a fair valuation, be sufficient in amount to pay its debts.

Sec. 35. Any person interested in securities in Class "D" may maintain in the name of the issuer an action at law or suit in chancery for the use of the issuer, against the solicitor, agent or broker of such issuer, jointly or severally, to recover of such solicitor, agent or broker all moneys in excess of 20% of the proceeds of the sales of securities made by such solicitor, agent or broker and not turned into the treasury of the issuer.

Sec. 36. It shall be unlawful for any officer, director, solicitor, broker or agent, to sell or offer for sale any securities in Class "D", in any other manner or form than specifically set forth in the information required to be filed in section 9 of this Act, and any offer or sale upon any other terms or conditions other than set forth, shall be considered *prima facie* evidence that such officer, director, trustee, solicitor or agent offered or sold same for the purpose of defrauding the investor to whom such security was offered or sold.

Sec. 37. (1) Every sale and contract of sale made in violation of any of the provisions of this Act shall be void *at the election of the purchaser*, and the seller of the securities so sold, *the officers and directors of the seller*, and each and every solicitor, agent or broker of or for such seller, who shall have knowingly performed any act or in any way furthered such sale, shall be jointly and severally liable, *in an action at law or in equity*, upon tender to the seller or in court of the securities sold, to the purchaser for the amount paid, *the con-*

sideration given or the value thereof, together with his reasonable attorney's fees in any action brought for such recovery.

(2) In any action, civil or criminal, where the seller or issuer relies for his defense upon any of the exemptions provided for in this Act, the burden of proof to establish such exemption, shall be upon such issuer or seller.

(3) The Secretary of State shall have the power to make such investigations under this Act as he may deem proper and expedient, and to refer any complaint, together with information relative thereto, to the proper officers of the county in which any violation may have occurred.

(4) For the purposes of this Act all persons, solicitors, agents, brokers, officers and directors of the seller, who shall sell or offer for sale securities in violation of the provisions of this Act, or who shall in any manner authorize, aid or assist in any unlawful sale or offering for sale, shall be deemed equally guilty, and may be tried and punished in the county in which said unlawful sale or offering for sale was made, or in the county in which the securities so sold or offered for sale, were delivered or proposed to be delivered to the purchaser thereof.

(5) In any prosecution, action, suit or proceeding before any of the several courts of this State based upon or arising out of or under the provisions of this Act, a certificate under the seal of State, duly signed by the Secretary of State, showing compliance or non-compliance with the provisions of the Illinois Securities Law, respecting the securities in question or respecting compliance or non-compliance with the provisions of the Act by any issuer, solicitor, agent, broker, dealer or owner, shall constitute prima facie evidence of such compliance or of such non-compliance with the provisions of this Act, as the case may be, and shall be admissible in evidence in any action at law or in equity to enforce the provisions of this Act. (As amended by Act approved June 11, 1921.

Sec. 38. Nothing in this Act shall be construed to relieve corporations from making reports now or hereafter required by law to be made to the Secretary of State or paying the fees now or hereafter to be paid by corporations. This Act shall not be construed to repeal any law now in force regulating the organization of corporations in this State or the admission of any foreign corporation, but the provisions of this Act shall be construed to be additional to any provision regulating the organization of a corporation under the laws of Illinois or the admission of a foreign corporation to do business in this State.

Sec. 39. If the issuer of any securities be a foreign corporation, and such issuer shall desire to make sales of such securities under the provisions of this Act, no statement or document relating to such sales shall be filed in the office of the Secretary of State until such foreign corporation has complied with the law regulating the admission of foreign corporations to transact business in this State.

Sec. 40. No prosecution for violation of any provision of this Act shall bar or be barred by any prosecution for the violation of any other provisions of this Act or of any other statute; but all prosecutions and all civil actions to recover money or for other purposes under this Act

or based upon any provision of this Act must be commenced within five years after the commission of the act complained of.

Sec. 41. The invalidity of any section or provision of this Act shall not affect the remainder thereof.

Sec. 42. An Act entitled, "An Act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the State of Illinois, by any dealer, firm, company, association or corporation, foreign or domestic, by requiring an inspection of such stocks, bonds, or other securities and an inspection of the business of such persons, firms, companies, associations or corporations, including dealers and agents, and such regulation and supervision of the business of said persons, firms, companies, associations or corporations, including dealers and agents, as may be necessary to prevent fraud in the sale within the State, of any stocks, bonds or other securities, and providing penalties for the violation thereof," filed June 29, 1917, in effect January 1, 1918, is hereby repealed, and all other Acts and parts of Acts insofar as they conflict with this Act are hereby repealed.

It shall hereafter be unlawful for any person or corporation to exhibit or in any wise make use of any certificate issued by the Secretary of State under any of the provisions of the Act hereby repealed for the purpose of making or in endeavoring to make any sale of securities.

This repeal shall not affect any contract rights which have arisen under the law hereby repealed, or under the administration thereof, nor invalidate any deposits in escrow or contracts entered into by the issuer of securities for the benefit or security of any person. The Secretary of State shall in all such cases proceed in all respects touching such contracts and escrows as if such law had not been repealed.

Sec. 43. Whereas, an emergency exists, therefore this Act shall be in force and effect from and after its passage and approval.

APPROVED June 10, 1919, as amended June 11, 1921 and July 2, 1925.

Compiled by

LOUIS L. EMMERSON,

Secretary of State.

CASES DECIDED BY THE COURTS OF ILLINOIS:

Stewart v. Brady, 300 Ill. 425.
 People v. Lee, 311 Ill. 552.
 Kinross v. Cooper, 224 Ill. App. 111.
 Howard v. Corn Belt Farmers Cooperative Assn., 225 Ill. App. 449.
 Puntenney v. Wildeman & Co., Case No. 28880, App. Court First District, filed October, 1924. (Affirmed by the Supreme Court June 18, 1925).
 McRoberts v. Combination Fountain Co., 317 Ill. 165.

People v. Love, 310 Ill. 558.
 Trakas v. Cokins, 224 Ill. App. 327.
 People v. Curtis, 233 Ill. App. 13.
 Fidelity Investment Assn. v. Emmerson, Case No. 7764, App. Court Third Dist., filed August 2, 1924.
 Fidelity Investment Assn. v. Emmerson, Case No. 7798, App. Court Third Dist., filed December 31, 1924.



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- § 26. Fees—see also section 23.
- § 28. Additional copies of statements to be submitted on request of the Secretary of State.
- § 29. Owner, broker, agent, etc., offering to sell securities without compliance with Act guilty of a misdemeanor—penalty.

THE ILLINOIS SECURITIES LAW—Continued.

- § 30. Issuer, etc., offering to sell securities without compliance guilty of a misdemeanor—penalty.
- § 31. Issuer, owner, broker, agent, etc., guilty of a second or subsequent offense—penalty.
- § 32. False statements made by broker, etc., not authorized by issuer guilty of a misdemeanor—penalty.
- § 33. Signing any statement, etc., knowing same to be false is prima facie evidence of knowledge of falsity—perjury—penalty.
- § 34. Sale of securities with knowledge of the insolvency of the issuer makes party selling same guilty of embezzlement—penalty.
- § 35. Any person interested may maintain action to recover money in excess of 20% not paid to issuer.
- § 36. Sale contrary to information filed, or on other terms is prima facie evidence of fraud.
- § 37. Sales contrary to Act void—liability to the purchaser for the amount paid with reasonable attorney's fees in law or equity. Burden of proof to establish exemption rests upon issuer or seller in all civil and criminal actions—violations to be referred to proper officers for prosecution. Solicitors, agents, brokers, officers, directors and all persons who shall sell or offer for sale securities or aid or assist therein deemed equally guilty and may be punished in county in which offer or sale was made or in county of delivery. Certificate of compliance or non-compliance with provisions by the Secretary of State shall constitute prima facie evidence and shall be admissible in evidence in any action at law or in equity.
- § 38. Act does not relieve corporations from making reports as required to be made under other existing laws.
- § 39. Foreign corporations desiring to sell securities must comply with the law regulating admission of such corporations.
- § 40. Prosecutions under Act to be brought within five years.
- § 41. Invalidity of one provision or section does not affect remainder of Act.
- § 42. Acts repealed—certificate or evidence of compliance with law repealed not to be exhibited—contractual obligations not impaired.
- § 43. Emergency.

(APPROVED JUNE 10, 1919, AS AMENDED.)

AN ACT relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith.

SECTION 1. *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* This Act shall be known as "The Illinois Securities Law."

Sec. 2. The words and phrases used herein shall, unless the context otherwise indicates, have the following meaning:

(1) The word "securities" shall mean and include stock, treasury stock, bonds, debentures, investment contracts, notes, evidences of indebtedness, participation certificates, certificates of shares or interest, preorganization certificates and preorganization subscriptions, certificates evidencing shares of or interest in trust estates or associations, profit sharing agreements or certificates; or any certificate, contract or instrument whatsoever, representing or constituting evidence of, or secured by, title to or interest in, or any lien or charge upon, the capital or any property or assets of the Issuer thereof, and any oil, gas or mining lease, and interest, units or shares in any such lease or leases, income contracts, annuity contract unless issued by insurance companies, bankers shares, trustees shares, investment participating bonds, investment trust debentures, units, shares, bonds, debentures and certificate in, for, re-

specting or based upon any form of securities or collateral, subscriptions and contracts covering or pertaining to the sale and/or purchase of securities on the installment plan, and any other instrument commonly known as a security.

(2) The word "issuer" shall include every person and every company, trust, partnership or association incorporated or unincorporated heretofore or hereafter formed *which proposes to issue*, which shall have issued or *which shall hereafter issue* any security. Any natural person who acts as a promoter for and on behalf of a corporation, trust or unincorporated association or partnership of any kind to be formed shall be deemed to be an issuer. As used in this Act the term "trust" shall be deemed to include a common law trust, and all other trusts, except a trust created or appointed under or by virtue of a last will and testament or by a court of law or equity or any charitable trust.

(3) The word "file" or "filing" within the meaning of this Act, shall mean the endorsement thereof by the Secretary of State on any statement or document received of the word "filed" followed by the month, day, year, and name of Secretary of State, for the purpose of showing that, in his opinion, the issuer, solicitor, agent, broker, dealer or owner has complied with the provisions of this Act, and no statement, document or other instrument deposited with the Secretary of State shall be treated or considered as filed unless and until so endorsed.

(4) The terms "sale," "offer for sale" or "sell" shall include every disposition, or attempt to dispose, of a security or interest in a security for value. The term "sale" means and includes contracts and agreements whereby securities are sold, traded or exchanged for money, property or thing of value, or any transfer or agreement to transfer, in trust or otherwise. Any security given or delivered with, or as a bonus on account of, any purchase of securities or other thing of value, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The term "sell" means any act by which a sale is made and the term "sale" or "offer for sale" shall include a subscription, an option of sale, a solicitation of sale, an attempt to sell, or an offer to sell, directly or by an agent, by a circular, letter or advertising, or otherwise; provided, however, that nothing herein shall limit or diminish the full meaning of the terms "sale," "sell" or "offer for sale" as used by or accepted in courts of law or equity.

(5) The terms "dealer" or "broker" shall include every person and every company, firm, trust, partnership or association, incorporated or unincorporated, other than a solicitor or issuer, that engages either wholly or in part in the business of selling, offering for sale, negotiating for the sale of or otherwise dealing in any securities issued by another or by others, or underwriting, purchasing or otherwise acquiring such securities from another for the purpose of reselling them or of offering them for sale, or offering, buying, selling or otherwise dealing or trading in securities as a broker, agent or principal, or who deals in futures or differences in market quotations of prices or values of any securities or accepts margins on purchases or sales or pretended purchases or sales of such securities.

(6) *The terms "solicitor" and "agent" shall include every natural person, other than dealer, broker or issuer, employed or appointed or authorized by a dealer, broker or issuer, to sell securities in any manner in this State, or who takes subscriptions for the sale of any securities. (As amended by Acts approved June 11, 1921 and July 2, 1925.)*

Sec. 3. *For the purpose of this Act securities are divided into five classes, as follows:*

(1) *Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";*

(2) *Securities, the inherent qualities of which, or in the nature of one or both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";*

(3) *Securities based on established income, which shall be known as securities in Class "C";*

(4) *Securities which shall be a class known as "Investment contracts";*

(5) *Securities based on prospective income, which shall be known as Securities in Class "D". (As Amended by Act approved July 7, 1931.)*

Sec. 3. *For the purpose of this Act securities are divided into five classes, as follows:*

(1) *Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";*

(2) *Securities, the inherent qualities of which, or in the nature of one or both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";*

(3) *Securities based on established income, which shall be known as securities in Class "C";*

(4) *Securities based on prospective income, which shall be known as securities in Class "D".*

(5) *Securities of organizations known as "Investment Trusts" as hereinafter in sec. 7a defined. (As amended by Act approved July 7, 1931.)*

Sec. 4. *Securities in Class "A" shall comprise securities:*

(1) *Issued or guaranteed by a government, or by any state, province or political subdivision thereof, or by any governmental agency, or by any body having power of taxation or assessment;*

(2) *Issued by any National Bank, or by any State Bank or trust company of this State, or by any building and loan association of this State, or by any insurance company under the supervision of the Department of Trade and Commerce of this State, provided, however, that the foregoing shall apply only to the capital stock or shares, or obligations to pay, of such bank, trust company, building and loan association, or insurance company;*

(3) Issued or guaranteed by any corporation operating any public utility in the United States or any state thereof or in the Dominion of Canada or any province thereof wherein there is or was at the time of issuance thereof in effect any law regulating such utilities and the issue of securities by such corporation, and evidences of indebtedness secured by collateral consisting of any securities herein above in this paragraph three (3) described, provided, that such collateral securities equal in par value 125% of the par value of the evidences of indebtedness so secured;

(4) While listed and dealt in on the New York, Boston or Chicago Stock Exchange, or Board of Trade of the City of Chicago, or the Chicago Curb Exchange Association, respectively, pursuant to official authorization by such exchanges, respectively, and securities senior to any securities so listed and dealt in, or guaranteed by any corporation, the common capital stock of which is so listed and dealt in;

(5) Issued and outstanding in the hands of the public prior to June 10, 1919, of corporations whose business has been continuously in operation since that date, provided, that financial statements of the issuing corporation appeared in any standard manual of securities for the year 1920, approved by the Secretary of State, or provided, that quotations of such securities have appeared in tabulated market reports published as news items, and not as advertising, in a daily newspaper of general circulation published in the English language, in any city of two hundred thousand inhabitants or over in the State of Illinois, at least twelve times in each of the years 1919 and 1920, respectively, and at least twelve times during the twelve calendar months next preceding the offering for sale thereof;

(6) Issued by any corporation organized not for pecuniary profit when such corporation is organized exclusively for educational, benevolent, fraternal, charitable and/or reformatory purposes;

(7) Being notes or bonds secured by a mortgage lien upon real estate or leasehold or bridges over rivers or other bodies of water (other than oil, gas and mining leases) in any state or territory of the United States or in the Dominion of Canada;

(a) When the mortgage is a first mortgage on real estate or leasehold and issued prior to July 1, 1932, and when the aggregate face value of such notes or bonds (but not including interest notes or coupons) secured thereby does not exceed seventy (70) per centum of the fair market value of such real estate or leasehold, and when issued after June 30, 1932, and prior to January 1, 1933, does not exceed sixty-five (65) per centum of such fair market value, and when issued after December 31, 1932, does not exceed sixty (60) per centum of such fair market value; (b) When the aggregate face value of the notes or bonds (but not including interest notes or coupons) secured by a first mortgage lien upon real estate and buildings or bridges over rivers or other bodies of water or leasehold and buildings or bridges over rivers or other bodies of water, in good faith, forthwith to be erected thereon, according to the terms of the mortgage, does not exceed sixty (60) per centum of the fair market value of such real estate and buildings or

bridges over rivers or other bodies of water, or leasehold and buildings or bridges over rivers or other bodies of water; (c) When the mortgage lien is a junior mortgage upon real estate or leasehold (other than oil, gas and mining leases) or bridges over rivers or other bodies of water and the aggregate value of such mortgage and notes or bonds secured thereby, together with all other existing prior and/or concurrent liens of equal or superior rank, (but not including interest notes or coupons) does not exceed *seventy-five (75)* per centum of the fair market value of such real estate or leasehold, or bridges over rivers or other bodies of water;

(8) Being a note secured by a first mortgage upon tangible or physical property, when such mortgage is assigned with such securities to the purchaser;

(9) Evidencing indebtedness due under any contract made in pursuance to the provisions of any statute of any state of the United States providing for the acquisition of personal property under conditional sale contract;

(10) Being negotiable promissory notes given for full value and for the sole purpose of evidencing or extending the time of payment of the price of goods, wares or merchandise purchased by the issuer of such notes in the ordinary course of business, and promissory notes or commercial paper running not more than *six* months from the date of issue, and shall be issued within three months after the date of sale, *provided, however, that no provision for renewal is contained in such promissory notes or commercial paper;*

(11) Being subscriptions for or sales of shares of the capital stock of a corporation prior to the incorporation thereof under the laws of the State of Illinois, when no expense is incurred, or no commission, compensation or remuneration is paid or given for or in connection with the sale or disposition of such securities;

(12) *Bonds or notes secured by lien on freight and/or passenger vessels shown by policies of marine insurance taken out in responsible companies to be of value, after deducting any or all other indebtedness secured by prior lien, of not less than 125% of the par amount of such bonds or notes;*

(13) *Being interest-bearing certificates which entitle the holder thereof to a beneficial interest to the extent of the principal sum of said certificates, with interest at the rate specified therein, in the proceeds and avails of the deposit with a trust company organized and existing under and by virtue of "An Act to provide for and regulate the administration of trusts by trust companies," approved June 15, 1887, and amendments thereto, of Local Improvement Bonds, and Vouchers, issued under authority of "An Act concerning Local Improvements" approved June 14, 1897, and amendments thereto, by Illinois municipal corporations having a population of not less than twenty thousand inhabitants according to the last United States or state census, to the extent of not less than one hundred ten per centum of the outstanding interest bearing certificates;*

(14) *Payment of the principal and interest of which is jointly and severally guaranteed by two or more surety companies authorized to do business in the State of Illinois; provided that each such surety company shall hold a Certificate of Authority from the Secretary of the Treasury of the United States as an acceptable surety on Federal bonds and the total combined capital and surplus of such two or more surety companies shall not be less than three million dollars (\$3,000,000).*

It shall not be necessary to file any statement in the office of the Secretary of State with reference to securities in Class "A", except as to notes or bonds secured by a mortgage lien upon real estate or leasehold or bridges over rivers or other bodies of water. Before selling or offering to sell such securities, except as hereinafter provided, the issuer, or owner, as the case may be, shall file in the office of the Secretary of State an inventory, in such detail as the Secretary of State shall require, of the property by which such securities are secured. Such inventory shall be accompanied by an appraisalment made by a qualified person or persons, provided that such inventory shall not be required in any case where the principal amount secured by the mortgage lien shall not exceed fifty thousand dollars (\$50,000) or in any case where the notes or bonds secured by mortgage lien are all sold at a single sale. The Secretary of State shall make such regulations and prescribe such forms for the filing of the inventory and appraisalment as may be deemed proper. The Secretary of State shall have the power and authority to examine such inventory and appraisalment and if the information contained therein shall be found insufficient the Secretary of State may ask for such additional information as may be deemed necessary, or may make or cause to be made an investigation respecting same, provided that the cost of such investigation shall be borne by the applicant. If, upon an examination and investigation of the inventory and appraisalment, the Secretary of State is of the opinion that the aggregate face value of the notes or bonds, mentioned in sub-division (7) of this Section, exceeds the percentage or percentages, in said sub-division (7) of this Section provided for, he shall refuse to file such inventory and appraisalment. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated. Such appraisalment shall be verified by the oath of the person or persons making the same, and the cost of such appraisalment shall be borne by the applicant. Except as above provided, and subject to the provisions of section 12a and section twenty-three (23) of this Act, securities of Class "A" may be offered for sale and sold in this State. (As amended by Acts approved June 11, 1921, July 2, 1925, June 14, June 21 and June 24, 1929, and July 7, 1931.)

Sec. 5. *Securities in Class "B," being exempted sales, shall include:*

(1) *The sale in a bona fide manner of any security by or on behalf of a vendor who is not an issuer, or underwriter thereof, or a dealer and broker, and who, being a bona fide owner of such security, disposes of his own property for his own account;*

(2) Capital stock of a corporation *when* sold or distributed by it among its stockholders without the payment of any commission or expenses to agents, solicitors or brokers, *and without incurring any liability for any expenses whatsoever*, in connection with the distribution thereof;

(3) *Securities when* sold by or to any bank, trust company or insurance company or association organized under *the banking or insurance laws* of this State or of the United States, or doing business in this State under the supervision of the Department of Trade and Commerce; or of the Auditor of Public Accounts; or by or to any building and loan association organized and doing business under the laws of this State, or any public sinking fund trustees;

(4) *Securities when* sold to any corporation, or any broker or dealer in securities;

(5) *Securities when* sold or offered for sale at any judicial, executor's or administrator's sale, or at any sale by a receiver or trustee in insolvency or bankruptcy, or at a public sale by auction held at an advertised time and place.

Securities when disposed of by the persons and in the manner provided by this section, shall not be subject to the provisions of this Act *in such transactions; provided, however, that such securities shall not be resold, except as is in this section provided, without compliance with the provisions of this Act.* (As amended by Acts approved June 11, 1921 and July 7, 1931).

Sec. 6. Securities in Class "C" shall comprise the following:

Those issued by a person, corporation, firm, trust, partnership or association owning a property, business or industry which has been in continuous operation not less than two years and which has shown *during a period of not less than two years prior to the filing of the statement herein provided for, average annual net profits, exclusive of all prior charges, as follows:*

(1) In the case of interest bearing securities, not less than one and one-half times the annual interest charge *thereon and upon all other outstanding interest bearing obligations of equal rank;*

(2) In the case of preferred stock, not less than one and one-half times the annual dividend on such preferred stock *and on all other outstanding stock of equal rank;*

(3) In the case of common stock, not less than 3% per annum upon *the price at which same is or is to be offered*, and on all other outstanding common stock. (As amended by Acts approved June 11, 1921 and July 7, 1931.)

Sec. 6a. Securities of the class known as "Investment Contracts" shall comprise the following:

Investment contracts, or annuity contracts, or installment investment contracts, or installment investment certificates, or installment participation certificates, or installment investment bonds, or securities of like kind, which contemplate that the issuer shall pay or deliver, or whereby the issuer agrees to pay or deliver, either absolutely or conditionally, to the purchaser or holder of the contract, certificate, bond or

like security, a sum of money at a future time, either with or without interest, in consideration of a payment or payments made or contemplated to be made by such purchaser or holder, which securities are hereinafter referred to as investment contracts, provided the issuer shall deposit and maintain with the State Treasurer of this State, for the benefit of the holders of such investment contracts, a deposit of securities in which life insurance companies of this State are permitted to invest their funds under Section 1 of "An Act to regulate the investment of the funds and the real estate holdings of life insurance companies," in force July 1, 1907, in an amount not less than fifty thousand dollars (\$50,000), and at no time less than the issuer's current contract liability on all such outstanding investment contracts as defined therein, hereafter sold in the State of Illinois; provided, however, that such deposit of the issuer shall not be required to be in excess of fifty thousand dollars (\$50,000) if the issuer shall have on deposit with the public officials of other states securities which together with said deposit of fifty thousand dollars (\$50,000) shall equal one hundred per cent (100%) of the issuer's said current contract liability on all its outstanding investment contracts. Securities deposited may be withdrawn at any time by the issuer at its option whenever other securities of like character are deposited in equivalent amount with the State Treasurer of this State in substitution therefor, or to the extent of any excess over the aggregate amount of the issuer's said current contract liability on all such outstanding investment contracts hereafter sold in the State of Illinois, provided only that the amount of said deposit shall not be reduced by such withdrawal below \$50,000 unless the issuer has ceased to sell the investment contracts for which the deposit is maintained and no longer has authority to sell the same in this State. The State Treasurer of this State shall permit a reduction of such deposit by withdrawal of securities as herein provided upon the filing by the issuer of a proper affidavit showing that the amount of such deposit is in excess of the requirements of this section. Upon discharge in full of all liabilities on all investment contracts hereafter sold in the State of Illinois and for which such deposit is maintained, the issuer shall be entitled to a release and return of the securities so deposited. The issuer making such deposit shall be entitled to collect and receive the income and/or payments made on securities deposited; provided, however, that the amounts unpaid on deposited securities shall at no time be less than the minimum amount required to be deposited hereunder. The deposits with officials of other states shall be evidenced by the issuer filing annually with the State Treasurer of the State of Illinois certificates of such officials of other states as to such deposits.

All provisions of "The Illinois Securities Law" (except the provisions of sub-division (3) of Section 3, Section 6, and Section 7) relating to securities comprised in Class "C" shall apply to securities comprised in the class known as "Investment Contracts."

Sec. 6b. Securities in the class known as "Investment Contracts" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

A statement shall be filed in the office of the Secretary of State:

(1) *Containing a description of, a copy of the form of, and specifying the amount of, the securities intended to be offered or sold;*

(2) *Stating the law under which and the time when the issuer was organized;*

(3) *If the issuer is a corporation, attaching a certified copy of the charter or articles of incorporation, and amendments thereto, and a copy of the by-laws;*

(4) *If the issuer is a firm, partnership, trust or unincorporated association, attaching a copy of the articles of partnership or association or the trust agreement;*

(5) *Attaching affidavits stating the names, addresses and occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers and directors of the issuer, if it is a corporation, or of the persons composing the issuer, if the issuer is a non-incorporated association;*

(6) *Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account; and*

(7) *Setting forth such other material facts as to such securities as the Secretary of State may prescribe.*

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Investment Contracts under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below." (Act approved July 7, 1931.)

Sec. 7. Securities in Class "C" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

(a) A statement shall be filed in the office of the Secretary of State:

(1) Describing the evidences of indebtedness, preferred stock or common stock intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account,

(4) Giving the names and addresses of its principal officers and of its directors or trustees;

(5) Giving pertinent facts, data, and information establishing that the securities to be offered are securities in Class "C."

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Securities in Class 'C' under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

(b) By and with the consent and approval in writing of the Secretary of State any security in Class "C" may be offered for sale or sold before the filing of the statement with respect thereto herein above in Paragraph (a) of this section seven (7) referred to, anything in this statute to the contrary notwithstanding such consent to be conditioned upon there being deposited in the office of the Secretary of State by the issuer or any party interested in the sale of such security:

1. *A notice briefly describing the securities to be offered and stating the price at which such securities are to be offered to the public, the amount of the issue and the amount to be sold in Illinois;*

2. *The fee with respect to such securities prescribed in section 26 of this statute;*

3. *A copy of the circular to be used in selling or offering for sale such securities;*

4. *Such additional information as may be required by the Secretary of State; provided that within thirty days after the deposit of such documents, or within such further time as the Secretary of State may prescribe, there shall be filed in the office of the Secretary of State the statement with respect to such securities provided for in paragraph (a) of this section seven (7); and further provided, that no issuer or other party shall offer, advertise or sell any such security prior to the filing by the Secretary of State of the statement herein above in Paragraph (a) prescribed unless such issuer or other party shall have on file in the office of the Secretary of State an irrevocable consent and power of attorney with respect to the sale of Class "C" securities as provided in section 16 of this Act; and shall also have on file in the office of the Secretary of State a good and sufficient bond in the sum of not less than \$50,000.00, payable to the People of the State of Illinois, for the protection, use and benefit of purchasers and of all persons in interest, executed by a surety or guaranty company authorized to do business in this State conditioned that in the event the statement with respect to any securities shall not be filed, as above provided, the obligor in such bond will repay to any purchaser from such obligor, on demand and tender of such securities, the purchase price paid therefor. (As amended by Act approved June 11, 1921.)*

Sec. 7a. 1. Securities of organizations known as "Investment Trusts," for the purposes of this Act, shall mean and include shares representing equitable ownership of or participation in, or the shares of capital stock of a corporation the assets of which consist of, property held in trust for the benefit of the holders of such shares by a bank or trust company having a capital and surplus of not less than \$1,000,000, which property consists principally of securities and/or cash. For the purposes of this section 7a investment trust shares shall consist of the following:

(a) Shares of fixed investment trusts shall mean and include shares of an investment trust in which no change (other than elimination under provisions of the trust instrument requiring the net proceeds of such elimination to be distributed) can be made in the identity of the securities deposited in such trust except upon the happening of one or more events specified in the trust instrument and which are beyond the control of any party thereto.

(b) Shares of semi-fixed trusts in which discretionary changes are permitted in the securities held in such trust involving substitution as well as elimination.

2. Shares of fixed trusts may be sold in this State upon registration by description as set forth in this section 7a, provided that the basic securities in such trust shall consist of Class "A" securities as defined in paragraphs (1), (2), (3) and/or (4) of Section 4 of this Act (excluding, however, any investment trust shares) and/or cash.

Such registration shall be effected by the filing by any registered dealer or broker, in the office of the Secretary of State, on forms prescribed by the Secretary of State, a description of such investment trust shares which shall state under oath:

(a) The name of such investment trust shares;

(b) The name and address of the trustee;

(c) The name and address of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust;

(d) The name and address of the person, firm or corporation having general charge of the distribution of such investment trust shares;

(e) All deductions which may be made from the trust estate or the income therefrom (except taxes and other governmental charges and distributions to the holders of such investment trust shares) together with reference to the provisions of the trust agreement providing for such deductions;

(f) A full and complete statement of the method of meeting continuing trustee's fees throughout the life of the trust.

The foregoing description shall be accompanied by a copy of the trust agreement, copies of any and all agreements relating to or in any way affecting the administration of the trust, and copies of all prospectuses, circulars, or advertisements then prepared to be used in connection with the sale of such investment trust shares to the public.

Such registration shall be completed when the information above described, together with the accompanying documents and the fees here-

inafter required, shall be received in the office of the Secretary of State. Such registration shall be automatically revoked whenever any security in the trust listed on a stock exchange approved under paragraph (4) of section (4) of this Act, which is not otherwise a Class "A" security as defined in paragraphs (1), (2) and/or (3) of Section 4 of this Act, shall cease to be listed on any stock exchange approved under paragraph (4) of section 4 of this Act, provided, however, that if such security is eliminated from the trust such registration shall automatically be restored. In the event of any amendment of the trust agreement, or of the happening of any event affecting the statements contained in the description, a new description shall be filed.

At the time of filing any such description and annually thereafter so long as such investment trust shares shall be sold in this State, there shall be paid to the Secretary of State (in lieu of all other fees required by this Act) a fee of \$100.

After registration of such investment trust shares in the manner hereinbefore described any registered person, owner, dealer, broker, solicitor or agent may sell the same at any price within the limitation provided in paragraph 4 of this section 7a upon filing in the office of the Secretary of State on a form prescribed by the Secretary of State, a written notice of such intention to sell.

3. All investment trust shares which are not registered by description under the foregoing provisions shall, before being sold in this State, be registered by qualification in the manner hereinafter in this section 7a provided.

An application for qualification shall be filed in the office of the Secretary of State by the person, firm or corporation having general charge of the distribution of such investment trust shares. Such application shall be on forms prescribed by the Secretary of State and shall include all of the information required by the foregoing paragraph 2.

The application shall also state the names, addresses and business affiliations of the officers and directors or the partners of the applicant and of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust. The Secretary of State in his discretion may from time to time require such other information as he may at any time deem necessary or appropriate to determine the fitness of such investment trust shares for qualification.

At the time of filing the application the applicant shall pay to the Secretary of State a filing fee of \$10.

The Secretary of State, in his discretion, may make or cause to be made an examination of all matters appertaining to the trust, including the applicant, the person, firm or corporation creating or sponsoring such investment trust shares or depositing such securities in the trust and the trustee, and may require the applicant to advance sufficient funds to pay for all or any part of the actual expenses of such examination, an itemized statement of which shall be furnished to the applicant.

Unless the Secretary of State shall find:

(a) That the character of securities to be deposited, the proposed offer or disposal of such investment trust shares, the plan of issuance

and sale thereof, or the plan of administration of the trust under the trust agreement is fraudulent or would work or tend to work a fraud; or

(b) That adequate provision has not been made to meet continuing trustee's fees throughout the life of the trust, then the Secretary of State shall notify the applicant that upon payment of the registration fee of \$100 the qualification of such investment trust shares will be registered. Such registration fee shall be paid annually thereafter and in the event of failure to make such payment such registration shall be automatically revoked. Such qualification may be revoked at any time by the Secretary of State for cause.

After registration of such investment trust shares with the Secretary of State, any person, owner, dealer, broker, solicitor or agent registered under section 23 of this Act may sell the same at any price within the limitation described in paragraph 4 of this section 7a, after having given the Secretary of State on a form prescribed by him a written notice of intention to sell.

4. No investment trust shares shall be sold in this State unless, on the date of sale to the public, the market value of the securities underlying the same plus the fair value of any other property and cash applicable to each investment trust share so sold, is equivalent to not less than 90% of the sales price of such investment trust share to the public. The market value of each underlying security which is listed shall be determined during period while the exchange on which such security is listed is open, by actual transaction prices on such exchange, computed at odd lot prices and including customary brokerage commissions actually paid. During periods while the exchange upon which any such underlying security is listed is closed, such market value shall be determined by the last closing asked price thereof figured at odd lot prices and including customary brokerage commissions actually paid. The market value of any unlisted security shall be determined as nearly as is reasonably possible in the same manner as the market value of a listed security as hereinabove set forth.

5. The Secretary of State may suspend or revoke the registration of any person, owner, dealer, solicitor or agent violating any of the provisions of this Act. (Act approved July 7, 1931.)

Sec. 8. All securities other than those falling within Class "A", "B", and "C" and "Investment Contracts", respectively, shall be known as securities in Class "D". (As amended by Act approved July 7, 1931.)

Sec. 8. All securities other than those falling within Class "A", "B", "C" and securities of organizations described as "Investment Trusts", shall be known as securities in Class "D". (As amended by Act approved July 7, 1931.)

Sec. 9. No security in Class "D", shall be sold or offered for sale until there shall have been filed in the office of the Secretary of State, statements and documents as follows:

(1) A description and amount of the securities intended to be offered for sale;

(2) If the issuer is a corporation, a certified copy of the charter or articles of incorporation and by-laws;

(3) If the issuer is a firm, trust, partnership or unincorporated association, a copy of the articles of partnership, association or trust agreement;

(4) The names, addresses and prior occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers, directors or trustees of the issuer, if it be a corporation, or of the persons composing the issuer, if the issuer be a non-incorporated association. *The statement in this paragraph (4) provided for shall be verified by the oath of one of the persons hereinabove mentioned or by some person familiar with such facts;*

(5) A description of the nature of the industry engaged in or intended to be engaged in and the approximate time when such industry was or will be established;

(6) An inventory showing the assets of the issuer;

(7) An appraisal of the assets of the issuer;

(8) A statement in detail of the gross income of the issuer and the source or sources thereof and of its operating and other expenses for a period of twelve (12) months prior to the date of filing such statement, or for the period of the existence of the issuer if less than two years prior to the date of filing;

(9) A copy of the most recent balance sheet of the issuer, showing the financial condition of the issuer at a date not more than thirty (30) days prior to the date of filing, and giving an analysis of surplus account from inception of such issuer;

(10) A copy of the mortgage, trust deed, indenture or writing securing the securities, [or] whereunder the same are issued, if any such instrument there be;

(11) A copy of the form of the securities intended to be offered;

(12) A copy of any and all subscription blanks to be used in the sale thereof, which subscription blanks shall have printed thereon, "These are speculative securities."

(13) A statement as to the manner in which the securities are to be offered and sold;

(14) If the securities be intended to be offered and sold by the issuer through solicitors, agents or brokers, an irrevocable contract executed by each such solicitor, agent or broker authorized to offer or sell such securities by or on behalf of the issuer to the effect that the issuer will receive in cash not less than 80% of the proceeds of each sale of the securities without deduction for any commission or expenses, directly or indirectly, and without liability to pay any sum whatsoever as commission or expenses or for services in and about such sale;

If the securities shall have been or be intended to be sold to any dealer, solicitor, agent or broker and intended to be by such dealer, solicitor, agent or broker sold to the public for their own account, a statement verified under oath, establishing that the price paid to the issuer was or will be without any fixed or contingent right in the issuer to demand or receive any additional sum on account of such securities or the sale thereof;

(15) A summary of the material facts disclosed by the preceding statements;

(16) Such other facts relative to such securities as the Secretary of State shall prescribe.

Such statements and documents shall, except as otherwise provided herein be verified by the oath of not less than two of the officers of the issuer, if the issuer be a corporation, or by not less than two members of a firm, trust, partnership or association, if the issuer be non-incorporated, *or by the oath of the owner or owners, as the case may be, provided that at least one of the oaths required hereunder shall be taken before an officer of this State, authorized to administer oaths therein.*

The Secretary of State may require further and additional verification under the oaths of other persons.

(As amended by Act approved July 7, 1931.)

Sec. 10. With the statement required to be filed in the office of the Secretary of State with reference to securities in Class "D," there shall also be filed an inventory, in such detail as the Secretary of State shall require; showing the assets of the issuer as of a date not more than thirty (30) days prior to the date of filing thereof. Such inventory shall be accompanied by an appraisalment made by a *disinterested* qualified person or persons *who may be selected by the Secretary of State*, showing the value of the assets described in such inventory. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated.

Such appraisalment shall be verified by the oath of the person or persons making the same. (As amended by Act approved June 11, 1921.)

Sec. 11. At any time, either before or after the filing of any statement required by this Act to be filed with reference to securities in Class "C" or Class "D" the Secretary of State may designate a certified public accountant to make an examination of the books, records, papers and documents, of the issuer and make a report of the examination thereof to the Secretary of State. The Secretary of State shall fix the compensation of such certified public accountant in advance and shall notify the issuer thereof of the amount so fixed, which compensation shall be paid by the issuer to such certified public accountant as his compensation for making such examination.

The Secretary of State may secure information from or through others and may make or cause to be made investigations respecting the business, affairs and property of the issuer, and in financing by the sale of securities in Class "D," the Secretary of State in his discretion may require that the capital to be obtained by such sales, be held intact until the completion of the sale of securities, or so much or such portion of the issue to be sold as may in the opinion of the Secretary of State prevent loss of such capital or fraud upon the purchasers of such securities, and for such purpose take bond to the People of the State of Illinois for the

use and benefit of such purchasers with sufficient sureties, or may accept other safeguards in lieu thereof; and may require financial statements and reports of the issuer so often as circumstances appear to warrant. (As amended by Act approved June 11, 1921.)

Sec. 12. If the statement as to securities in Class "D" shall disclose that any of such securities shall have been or shall be intended to be issued for any patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, the amount and nature thereof, shall be fully set forth, and securities issued in payment of such patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, shall be delivered in escrow to such bank or trust company as shall be designated by the Secretary of State under an escrow agreement that the owners of such securities shall in case of dissolution or insolvency not participate in the assets of the corporation until after the owners of all other securities have been paid in full. Such escrow agreement shall remain in full force until the securities of the issuer thereof are qualified under Class "C" hereof.

Sec. 12a. Before selling or offering for sale notes or bonds under sub-division (7) of section 4 of this Act: (a) When the mortgage is a first mortgage on a leasehold, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the text and face thereof a legend, in red letters not less than one-half inch in height, stating that the mortgage notes or bonds are on a leasehold; (b) When the notes or bonds (but not including interest notes or coupons) are secured by a first mortgage lien upon real estate and buildings or bridges over rivers or other bodies of water, in good faith, to be erected thereon, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the face and text thereof a legend, in red letters not less than one-half inch in height stating that the note or bond is a construction note or bond, and stating in addition, in the case of a leasehold, that the mortgage securing such notes or bonds is on a leasehold; (c) When the mortgage lien is a junior mortgage upon real estate or leasehold or bridges over rivers or other bodies of water, such notes or bonds secured thereby (but not including interest notes or coupons) shall each bear across the face and text thereof a legend in red letters not less than one-half inch in height, stating (1) that the mortgage is a second or third mortgage, or, as the case may be, (2) that the mortgage is on a leasehold, if that be the case, and (3) that the note or bond is a construction note or bond, if that be the case. (Act approved July 7, 1931.)

Sec. 13. If the statement as to securities in Class "D" discloses that such securities are intended to be offered or sold by the issuer, through a solicitor, agent or broker, a statement giving the names, residences, qualifications, occupations and business experience of such solicitor, agent or broker for a period of ten years prior to the filing, and the name and address of each employer, the period of employment and reason for resignation or discharge, shall be filed in the office of the Secretary of State. The signatures of each and every of such

solicitors, agents or brokers, shall be attached to such statement. If after the filing of such statement the issuer shall appoint any additional solicitor, agent or broker to offer or sell such securities before any such additional solicitor, agent or broker, shall offer or sell any such securities, there shall be filed like statements.

Sec. 14. After qualification of securities in Class "D" by the issuer, any dealer or owner may sell such securities upon filing in the office of the Secretary of State, a statement verified by the oath of such dealer or owner as otherwise provided by this Act, a statement of the amount and description of the securities to be sold by him or it, the maximum price for which they are to be sold, his or its address by street and number, qualification, occupation, and business experience of such dealer or owner for a period of ten years prior to filing such statement, giving name and address of each employer, the period of employment and the reason for resignation or discharge.

Sec. 15. Not less than 25 printed or typewritten copies of the summary of the statement required to be filed with reference to securities in Class "D" shall be deposited in the office of the Secretary of State. The printed or typewritten copies so deposited shall bear at the top in bold face type the expression:

"Securities in Class 'D' under Illinois Securities Law: These are speculative securities," followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois nor any officer of the State assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

Sec. 16. Before any securities in Classes "C" or "D" shall be sold or offered for sale the issuer or person intending to sell or offer for sale such securities shall file in the office of the Secretary of State a written irrevocable consent and power-of-attorney, that suits at law or in equity, arising out of or founded upon the sale or offering for sale of any such securities may be commenced against the corporation or person executing such power-of-attorney in any court of competent jurisdiction within this State, in any county in which the plaintiff or complainant resides, or in which the cause of action may have arisen, by the service of process upon the Secretary of State, and therein agreeing and stipulating that such service of process upon the Secretary of State shall be taken and held in all courts to be as valid and binding, as if due service had been made upon the corporation or person executing such power-of-attorney, according to the law of this State. Such instrument if the owner be a corporation, shall be signed by its chief executive and chief recording officer under its corporate seal, if it have [has] one, pursuant to a resolution of its governing body, a certified copy of which resolution shall be attached to such irrevocable consent and power-of-attorney, or if a person or a non-incorporated association then signed and acknowledged by such person or by all the members of such non-incorporated association. Whenever any process is served upon the Secretary of State, he shall at once forward a copy of the same by

registered mail to the defendant at his or its last address of record in the office of the Secretary of State.

Sec. 17. Before filing any statement or document with reference to securities in Class "C" or Class "D" the Secretary of State shall within a reasonable time examine the same and, if the same is incomplete, inadequate, evasive or otherwise not in conformity with the provisions of this Act, or if the sale or offering for sale of securities based upon the plan or scheme evidenced by the statements and documents offered to be filed, would in the opinion of the Secretary of State work or tend to work a fraud upon the purchaser of such securities the Secretary of State shall refuse to file the same. Otherwise such statements or documents shall be filed by the Secretary of State. Upon the filing of such statements or documents by the Secretary of State, the issuer, solicitor, agent, broker, dealer or owner may proceed to sell the amount of securities proposed to be sold or disposed of in this State, but no written or printed evidence of the compliance with this Act shall be issued by the Secretary of State. The Secretary of State may, either before or after such statements and documents are filed, propound interrogatories to the persons filing, or offering to file, such statements or documents, respecting any facts required to be stated with reference to such securities. Such interrogatories shall be answered under oath. If such interrogatories relate to a statement or document offered to be filed, such statement or document shall not be filed until such interrogatories are answered, and not then unless such statement and document and the answers to such interrogatories disclose conformity with this Act. If such interrogatories relate to a statement or document already filed, such interrogatories shall be answered within twenty days or within such further time as the Secretary of State shall prescribe. If not answered within twenty days or within any extension thereof, the sale or offering for sale of the securities covered by the statement or document to which the interrogatories relate, shall be unlawful.

Sec. 18. Whenever the Secretary of State refuses to file any statement or document presented under the provisions of this Act, the person presenting such statement or documents for filing may within thirty days thereafter, file a petition in the Circuit Court of Sangamon County, against the Secretary of State, officially as defendant, *to review his action in refusing to file such statement or document*, alleging therein, under oath, in brief detail, the right of the *petitioner* to sell securities in this State, and praying that the Secretary of State be required to file in his office such statement or document.

If, upon a hearing, the court shall find upon consideration of the statement or document and other pertinent evidence that the sale or offering for sale of securities upon the basis, plan or scheme evidenced therein and thereby will not work or tend to work a fraud upon the purchaser or purchasers of such securities, and shall further find that the Secretary of State wrongfully concluded that the sale or offering for sale of such securities would work or tend to work a fraud upon purchasers thereof, and that the petitioner is entitled to the benefits of and has complied with the provisions of this Act, the court may order such statement or document filed.

Either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court. Judgment against the petitioner shall not bar his right to file a new statement or document under the provisions of this Act, nor shall judgment in favor of the petitioner prevent the Secretary of State from thereafter applying for an injunction, or otherwise proceeding, as is provided in this Act. Merely technical irregularities in the procedure of the Secretary of State shall be disregarded and the burden of proof on all questions in controversy shall rest upon the petitioner. (As amended by Act approved June 11, 1921.)

Sec. 19. Every expression or statement made as an inducement to procure the filing of the information required by the provisions of this Act, either concerning Class "C" or Class "D" securities, shall be reduced to writing and verified under oath by the person making such expression or statement.

Sec. 20. So long as any security is sold or offered for sale under the provisions of this Act, such person, issuer, dealer, solicitor, agent or broker shall on or before the expiration of each six months' period, from the date of filing the original statements and documents, and oftener if required by the Secretary of State, file new or supplemental statements disclosing:

(1) The amount of securities sold, the sale price thereof and the amount of cash proceeds received therefor by the issuer;

(2) All changes in the financial conditions of the issuer or in its management or property, accompanied by a copy of the most recent balance sheet of the issuer showing the financial condition of the issuer at a date not more than 30 days prior to the date of such filing, and such other facts as the Secretary of State may require.

Such supplemental statement shall also be accompanied by not less than twenty-five wholly typewritten or printed copies of such summary of such supplemental statement, which summary shall be filed in the office of the Secretary of State.

Such supplemental statement shall be verified in the same manner as the original statement.

Whenever it shall be made to appear to the Secretary of State, by a verified statement in writing, that the entire issue of securities authorized for sale, under the provisions of this Act, has been sold and fully distributed to the public, or that the person, issuer, dealer and broker, or solicitor and agent, who filed the original statement hereunder, no longer desires to sell or offer for sale the securities qualified in said statement, or whenever the authority to sell such securities has been revoked in accordance with the provisions of paragraph (2) of section 24 of the Act, thereafter the filing of any supplemental statement shall not be required. (As amended by Act approved July 7, 1931.)

Sec. 21. Each financial statement, prospectus, advertisement, circular and document circulated, published or distributed for the purpose of effecting sales of securities in Class "D" shall contain the words, in bold faced type, "Securities in Class 'D' under Illinois Securities Law. These are speculative securities." But it shall be unlawful to make any

other reference in any such matter to the fact that the issuer, solicitor, agent or broker has complied with the provisions of this Act. All such matter shall also contain a statement of the assets, liabilities, income and expenses of the issuer, the law under which the issuer was incorporated or organized, and the names and addresses of all officers, directors or trustees, of the issuer or of the owner of the property constituting the basis of the issue of such securities. A copy of each such financial statement, prospectus, advertisement, circular and document so circulated, published or distributed shall be filed in the office of the Secretary of State within ten (10) days after the first circulation, publication or distribution thereof. It shall be unlawful to print, publish, circulate or distribute such matter showing the earnings of other companies or corporations engaged in a similar business.

It shall be unlawful for any issuer, solicitor, agent or broker in any advertisement intended to promote the sale of securities in Class "C" to make any reference whatsoever to the fact that such issuer, solicitor, agent or broker has complied with the provisions of this Act.

Sec. 22. The Secretary of State shall, upon request therefor, mail or deliver to any person a copy of the summary of the statements or supplemental statements required to be deposited in his office.

Sec. 23. (1) Notwithstanding any other provisions of this Act, hereafter no person, owner, dealer and broker, or solicitor or agent, shall offer for sale or sell securities within this State unless registered with the Secretary of State as owner, dealer and broker, or as solicitor or agent, provided, however, that registration shall not be required of any one when engaged solely in making sales specified as exempt in section five (5) of this Act. Any person, firm or partnership or corporation, of good repute, upon *application in form to be prescribed by the Secretary of State*, and on the payment of a fee of twenty-five (\$25.00) dollars may become a registered owner, dealer and/or broker, and if and when duly registered, but not otherwise, may offer for sale and sell securities in Classes "A," "C" and "D" as otherwise provided and prescribed in this Act. Solicitors and agents of good repute, appointed by an issuer or registered owner, dealer or broker may become registered solicitors and agents upon the payment of a fee of five dollars (\$5.00), and when duly registered, but not otherwise, may offer for sale and sell securities in Class "A," "C" and "D," as otherwise provided and prescribed in this Act; provided that the maximum fee to be paid for the registration of all agents or solicitors appointed by any one issuer or any one registered owner, dealer, or broker shall not exceed the sum of \$300.00.

Before registering any such applicant the Secretary of State shall require such applicant to enter into and file in the office of the Secretary of State a bond in the penal sum of not less than two thousand (\$2,000) dollars nor in excess of fifty thousand (\$50,000) dollars, payable to the People of the State of Illinois for the use and benefit of all persons interested, conditioned upon said applicant complying with the provisions of the Illinois Securities Law conducting the business of such applicant in such manner as to not work a fraud, making all sales of

securities without material misrepresentations and as prescribed by this Act, faithfully accounting to all persons interested for all money and/or property received by said applicant, delivering to purchasers thereof or persons entitled thereto securities held by said applicant as and when paid for and due to be delivered with terms and in form to be approved by the Secretary of State and with a surety company satisfactory to the Secretary of State as surety.

In fixing the penalty of such bond the Secretary of State shall investigate and take into consideration the proposed method of transacting business and the financial standing of the applicant for registration and the experience, ability and general reputation for integrity of such applicant or in the case of a corporation of its officers, managers and principal agents and shall fix such a penalty as in his opinion will protect from loss, persons dealing with such applicant if registered.

The action of the Secretary of State in refusing to register any owner, dealer, broker, solicitor or agent or his action in fixing the penalty of any bond shall be subject to review in the Circuit Court of Sangamon County in the same manner and with the same rights as provided in section 18 of this Act.

(2) The Secretary of State shall not issue any certificate or written evidence to any person registered as an owner, dealer, broker, solicitor or agent. The finding of the Secretary of State that any person, firm, co-partnership or corporation may act as a dealer, broker, solicitor or agent within this State shall take the form solely of entering the name in a suitable record for that purpose which shall be open to the public; and the finding of the Secretary of State that such registration should be cancelled shall be in the form of an order to that effect and shall be noted upon the register. Each registration under this section shall expire the 30th day of June in each year.

(3) Whenever the Secretary of State shall have reasonable ground to believe that any registered owner, dealer, broker, solicitor or agent has violated any of the provisions of this Act, or is conducting business in a manner tending to work a fraud, the Secretary of State may require such owner, dealer, broker, solicitor or agent to give in detail and under oath such information as may be demanded or required by the Secretary of State to determine the question of such violation or conduct of business tending to work a fraud, and the Secretary of State shall in such cases have power to investigate and examine into the business and affairs of such owner, dealer, broker, solicitor or agent, and to administer oaths and by subpoena or other notice require persons to appear, submit to examination under oath, and to produce books, records, papers and files of any such proceedings pertinent to and reasonably required to determine the question of such violation of law or conduct of business tending to work a fraud. Any Circuit Court of this State or any Judge thereof, either in term time or vacation, upon the application of the Secretary of State may in his discretion compel the attendance of witnesses, the production of books, papers, accounts and documents and the giving of testimony before the Secretary of State by an attachment for contempt or otherwise in the same manner as production of evidence may be compelled by said Court.

(4) *The Secretary of State shall have the power at any time after five days notice to the registered owner, dealer, broker, solicitor or agent when in the opinion of the Secretary of State the further sale of securities by such owner, dealer, broker, solicitor or agent would work or tend to work a fraud, or when such owner, dealer, broker, solicitor or agent has violated any of the provisions of this Act, to suspend or cancel the registration of such owner, dealer, broker, solicitor or agent, and thereafter the sale or offering for sale of any securities by such owner, dealer, broker, solicitor or agent shall be unlawful, and the Secretary of State, may rescind such action when in his opinion the registration of such owner, dealer, broker, solicitor or agent should be restored; the order suspending or canceling any registration, and any rescission therefor, shall be reduced to writing and signed by the Secretary of State, and any owner, dealer, broker, solicitor or agent, or other person aggrieved by or interested in any such suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this section of this Act shall be the same as are provided by section eighteen (18) of this Act with respect to review of orders of the Secretary of State refusing to file statements, and such order of the Secretary of State shall be in force as and when entered and shall remain in force and effect pending reviews thereof and appeals from such order of the Secretary of State.*

(5) *In addition to the penalties and other remedies provided in this Act, the Secretary of State shall, when in his opinion and judgment sales of securities by any owner, dealer, broker, solicitor or agent will work or tend to work a fraud upon purchasers, without notice, apply for an injunction, and the courts shall have power to restrain owners, dealers, brokers, solicitors and agents; in so far as applicable the provisions of section eighteen (18) and paragraph one (1) of section twenty-four (24) shall govern such action.*

Sec. 2. *Inasmuch as certain provisions in section 23 above were held unconstitutional by the Supreme Court of Illinois and there is now no provision requiring bond from persons engaged in the business of selling securities to the public and it is highly important that this provision corrected to conform to the ruling of the Supreme Court be effective without delay, therefore an emergency exists, and this Act shall take effect upon its passage. (As amended by Act approved July 2, 1925 and June 26, 1929.)*

Sec. 24. (1) *In case any statement or document submitted or filed in the office of the Secretary of State shall, in the judgment of the Secretary of State, in any material part thereof be inadequate, insufficient or not in compliance with this Act, or in case the basis, plan or scheme disclosed by such statements or documents, adopted or filed, would, in the judgment of the Secretary of State, work or tend to work a fraud upon purchasers, or if it shall be made to appear to the Secretary of State, by complaint, through investigation or otherwise, that the statements and documents filed with respect to any securities are false or deceptive in any material particular, or if it shall be made to appear to the Secretary of State that insolvency exists or that conditions with*

respect to any such securities have so changed that the further sale or offering for sale thereof would work or tend to work a fraud on purchasers thereof, or that any of the terms and provisions of this Act, have not been complied with, or if it shall appear to the Secretary of State by complaint, upon investigation or otherwise, that any securities have been sold or are being offered for sale without compliance with, or in violation of any of the provisions of this Act, the Secretary of State shall, in the name of the People of the State of Illinois, through the Attorney General, apply for an injunction in any court of competent jurisdiction to restrain the further sale or offering for sale of such securities; and the court shall have power to restrain the sale or offering for sale of such securities upon such application and may grant injunctions to enforce the provisions of this Act, in addition to the penalties and other remedies in this Act provided; the petitioner shall not be required to give bond in such proceedings and either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court.

(2) The Secretary of State shall also have the power at any time, after five days notice to the seller of securities, when insolvency exists or when in the opinion of the Secretary of State the further sale of such securities would work or tend to work a fraud upon purchasers thereof, to suspend or cancel permission to sell such securities in this State, and thereafter the sale or offer for sale of such securities shall be unlawful, and may rescind such action when it shall be made to appear that further sales of such securities will not work or tend to work fraud upon purchasers, the order suspending or cancelling such authority to sell securities and any rescission thereof shall be reduced to writing and signed by the Secretary of State; any issuer, corporation or person aggrieved or interested in any such suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this paragraph two (2) of this section shall be governed by the provisions of section 18 of this Act in so far as such provisions may be applied.

(3) In no case shall the Secretary of State incur any official or personal liability by instituting injunction or other proceedings, or by the suspension or cancellation of the right or authority to sell securities. (As amended by Act approved June 11, 1921.)

Sec. 25. The Secretary of State shall have the power and is hereby authorized to make all needful rules and regulations, and from time to time to alter, amend and supplement such rules and regulations as he may deem necessary to carry this Act into full force and effect; provided, however, that any party affected adversely by any order or ruling of the Secretary of State shall have a right of review like unto that specified in paragraph two (2) of section twenty-four (24) of this Act, and pending final decision on such review, and/or of the review and appeals authorized in sections eighteen (18) and twenty-four (24) of this Act, the acts, orders and rulings of the Secretary of State shall be and remain in full force and effect. The Secretary of State shall also have power to limit the charges and commissions of dealers, brokers,

solicitors and agents, with respect to Class "D" securities, and to prescribe the time and manner of payment thereof. The Secretary of State may prescribe and furnish forms for all statements, documents and summaries required by this Act to be filed in his office, and such statements, documents and summaries shall follow substantially the forms so prescribed. All statements and documents and all other matters filed in the office of the Secretary of State under the provisions of this Act shall at all proper hours be available for public inspection. (As amended by Act approved July 2, 1925.)

Sec. 26. Before filing any statements required to be filed hereunder with reference to securities in Class "C" or in Class "D" the person so filing such statements shall pay in advance to the Secretary of State a fee of one-twentieth of one per cent of the amount of the securities to be offered for sale in this State, but in no case shall the fee be less than twenty-five dollars (\$25.00) or more than three hundred dollars (\$300.00).

Sec. 28. Whenever in this Act copies of statements or other documents are required to be furnished to the Secretary of State for distribution, additional copies as requested by the Secretary of State, shall be supplied by the parties filing the original copies or by parties interested in the disposition of such securities.

Sec. 29. *Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent offering for sale, selling, exchanging or otherwise dealing in securities or in margins or futures on securities, or making purported or pretended purchases or sales of securities without registration pursuant to and without full compliance with the provisions of section twenty-three (23) of this Act, and any owner, dealer, broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent, whether registered under section twenty-three (23) of this Act or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding ten thousand (\$10,000) dollars for the first offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925.)*

Sec. 30. *Any issuer or any owner of securities, or any officer, director, trustee, solicitor or agent thereof, whether registered under section twenty-three (23) or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section five (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall for the first offense be punished by a fine in any sum not exceeding ten thousand (\$10,000) dollars, or, if a natural person, by imprisonment in the county jail not exceeding*

one year, or may be punished by both such fine and imprisonment in the discretion of the court. (As amended by Acts approved July 2, 1925 and July 7, 1931.)

Sec. 31. *Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent, and any issuer of securities or any officer, director, trustee, solicitor or agent of any issuer of securities, who shall be guilty of a second or any subsequent offense as specified in sections twenty-nine (29) and thirty (30) of this Act, upon conviction thereof, shall be fined not exceeding twenty-five thousand (\$25,000) dollars for such second or subsequent offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925.)*

Sec. 32. Any dealer, agent, solicitor or broker, who shall make any statement or representation not authorized by the issuer, or any statement or representation at variance with, or not reasonably predicated upon the statements and documents filed by the issuer in the office of the Secretary of State, shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in any sum not to exceed one thousand dollars (\$1,000.00) for the first offense, and not to exceed five thousand dollars (\$5,000.00) for the second or any subsequent offense, or imprisonment in the county jail not more than six months for the first offense, nor more than one year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the court.

Sec. 33. Any person signing any statement, list, inventory, balance sheet or other paper or document required by any provision of this Act to be verified or sworn to, knowing any representation therein contained to be false or untrue (and the depositing of any such statement or document in the office of the Secretary of State shall be deemed *prima facie* evidence of knowledge of the falsity thereof or of any representation therein contained, and of the wilful signing of such statement or document), shall be deemed guilty of perjury and shall be subject to the penalties by the law of this State prescribed therefor.

Sec. 34. It shall be unlawful for any officer, director, trustee, solicitor, agent or broker of or for any issuer, knowing such issuer to be insolvent, to sell any securities issued by such issuer; and any such officer, director, trustee, solicitor, agent or broker who shall make any sale of any securities of and for any such issuer, and by reason of such insolvency of such issuer, the price paid for such securities or any part thereof shall be lost to the purchaser, shall be deemed guilty of embezzlement and upon conviction thereof shall be fined in a sum not less than one thousand dollars (\$1,000.00) nor more than ten thousand dollars (\$10,000.00) or may be imprisoned in the State penitentiary for not less than one year nor more than five years, or may be both fined and imprisoned, in the discretion of the court. For the purpose of this section, an issuer shall be deemed insolvent whenever the aggregate of its property shall not, at a fair valuation be sufficient in amount to pay its debts.

Sec. 35. Any person interested in securities in Class "D" may maintain in the name of the issuer an action at law or suit in chancery for the use of the issuer, against the solicitor, agent or broker of such issuer, jointly or severally, to recover of such solicitor, agent or broker all moneys in excess of 20% of the proceeds of the sales of securities made by such solicitor, agent or broker and not turned into the treasury of the issuer.

Sec. 36. It shall be unlawful for any officer, director, solicitor, broker or agent, to sell or offer for sale any securities in Class "D," in any other manner or form than specifically set forth in the information required to be filed in section 9 of this Act, and any offer or sale upon any other terms or conditions other than set forth, shall be considered *prima facie* evidence that such officer, director, trustee, solicitor or agent offered or sold same for the purpose of defrauding the investor to whom such security was offered or sold.

Sec. 37 (1) Every sale and contract of sale made in violation of any of the provisions of this Act shall be void *at the election of the purchaser*, and the seller of the securities so sold, *the officers and directors of the seller*, and each and every solicitor, agent or broker of or for such seller, who shall have knowingly performed any act or in any way furthered such sale, shall be jointly and severally liable, *in an action at law or in equity*, upon tender to the seller or in court of the securities sold, to the purchaser for the amount paid, *the consideration given or the value thereof*, together with his reasonable attorney's fees in any action brought for such recovery.

(2) *In any action, civil or criminal, where the seller or issuer relies for his defense upon any of the exemptions provided for in this Act, the burden of proof to establish such exemption, shall be upon such issuer or seller.*

(3) *The Secretary of State shall have the power to make such investigations under this Act as he may deem proper and expedient, and to refer any complaint, together with information relative thereto, to the proper officers of the county in which any violation may have occurred.*

(4) *For the purposes of this Act all persons, solicitors, agents, brokers, officers and directors of the seller, who shall sell or offer for sale securities in violation of the provisions of this Act, or who shall in any manner authorize, aid or assist in any unlawful sale or offering for sale, shall be deemed equally guilty, and may be tried and punished in the county in which said unlawful sale or offering for sale was made, or in the county in which the securities so sold or offered for sale, were delivered or proposed to be delivered to the purchaser thereof.*

(5) *In any prosecution, action, suit or proceeding before any of the several courts of this State based upon or arising out of or under the provisions of this Act, a certificate under the seal of State, duly signed by the Secretary of State, showing compliance or non-compliance with the provisions of the Illinois Securities Law, respecting the securities in question or respecting compliance or non-compliance with the provisions of the Act by any issuer, solicitor, agent, broker, dealer or owner, shall constitute prima facie evidence of such compliance or of such non-compliance with the provisions of this Act, as the case may be, and shall be*

admissible in evidence in any action at law or in equity to enforce the provisions of this Act. (As amended by Act approved June 11, 1921.)

Sec. 38. Nothing in this Act shall be construed to relieve corporations from making reports now or hereafter required by law to be made to the Secretary of State or paying the fees now or hereafter to be paid by corporations. This Act shall not be construed to repeal any law now in force regulating the organization of corporations in this State or the admission of any foreign corporation, but the provisions of this Act shall be construed to be additional to any provision regulating the organization of a corporation under the law of Illinois or the admission of a foreign corporation to do business in this State.

Sec. 39. If the issuer of any securities be a foreign corporation, and such issuer shall desire to make sales of such securities under the provisions of this Act, no statement or document relating to such sales shall be filed in the office of the Secretary of State until such foreign corporation has complied with the law regulating the admission of foreign corporations to transact business in this State.

Sec. 40. No prosecution for violation of any provision of this Act shall bar or be barred by any prosecution for the violation of any other provisions of this Act or of any other statute; but all prosecutions and all civil actions to recover money or for other purposes under this Act or based upon any provision of this Act must be commenced within five years after the commission of the act complained of.

Sec. 41. The invalidity of any section or provision of this Act shall not affect the remainder thereof.

Sec. 42. An Act entitled, "An Act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the State of Illinois, by any dealer, firm, company, association or corporation, foreign or domestic, by requiring an inspection of such stocks, bonds, or other securities and an inspection of the business of such persons, firms, companies, associations or corporations, including dealers and agents, and such regulation and supervision of the business of said persons, firms, companies, associations or corporations, including dealers and agents, as may be necessary to prevent fraud in the sale within the State, of any stocks, bonds or other securities, and providing penalties for the violation thereof," filed June 29, 1917, in effect January 1, 1918, is hereby repealed, and all other Acts and parts of Acts insofar as they conflict with this Act are hereby repealed.

It shall hereafter be unlawful for any person or corporation to exhibit or in any wise make use of any certificate issued by the Secretary of State under any of the provisions of the Act hereby repealed for the purpose of making or in endeavoring to make any sale of securities.

This repeal shall not affect any contract rights which have arisen under the law hereby repealed, or under the administration thereof, nor invalidate any deposits in escrow or contracts entered into by the issuer of securities for the benefit or security of any person. The Secretary of State shall in all such cases proceed in all respects touching such contracts and escrows as if such law had not been repealed.

Sec. 43. Whereas, an emergency exists, therefore this Act shall be in force and effect from and after its passage and approval.

CASES RELATING TO THE ILLINOIS SECURITIES LAW DECIDED BY THE COURTS OF ILLINOIS.

Actions:

1. Mandamus—
People v. Emmerson, 294 Ill. 219.
2. Injunctions—
Fidelity Inv. Assn. v. Emmerson, 235 Ill. App. 9, reversed, 318 Ill., 548.
3. Assumpsit—
Stewart v. Brady, 300 Ill. 425.
4. Petitions in nature of mandamus—
People v. Emmerson, 294 Ill. 219.
5. Conspiracy—
People v. Glassberg, 326 Ill. 379.
Collins v. Moreland, 242 Ill. App. 626.

Attorney's Fees:

Stewart v. Brady, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.

Certificate of Secretary of State:

People v. Love, 310 Ill. 558.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. Gillett, 243 Ill. App. 41.

Charging Offense:

People v. Hill Top Metals Mining Co., 300 Ill. 564.
People v. Love, 310 Ill. 558.
People v. Revesz, 229 Ill. App. 616.
People v. Curtis, 233 Ill. App. 13.
People v. Glassberg, 239 Ill. App. 668.
People v. Whitmer, 243 Ill. App. 244.

Common Law Trusts:

Kinross v. Cooper, 224 Ill. App. 111.
People v. Hulbert, 237 Ill. App. 632.
Sims v. American Food Products Co., 243 Ill. App. 323.

Conspiracy:

Collins v. Moreland, 242 Ill. App. 626.
People v. Glassberg, 326 Ill. 379.

Constitutionality of Act:

Stewart v. Brady, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. Lee, 311 Ill. 552.

Co-operative Associations:

Morrison v. Farmers Elevator Co., 319 Ill. 372.

Creditors:

Howard v. Corn Belt Farmers Co-operative Assn., 225 Ill. App. 449.

Denials:

Fidelity Inv. Assn. v. Emmerson, 318 Ill. 548.

Due Process of Law:

Stewart v. Brady, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.

Emergency:

Graham v. Dye, 308 Ill. 283.

Evidence:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
Trakas v. Cokins, 224 Ill. App. 327.
Prot v. Chartrand, 237 Ill. App. 117.

Exemptions:

Stewart v. Brady, 300 Ill. 425.
Bunge v. Kirchoff, 251 Ill. App. 119.
Jaffe v. Goldner, 251 Ill. App. 188.
Dobal v. Guardian Finance Corp., 251 Ill. App. 220.
People v. Perowski, 251 Ill. App. 506.
Orr v. Croissant, 253 Ill. App. 396.
Laursen v. Memering & Co., 260 Ill. App. 515.

Fraud:

McRoberts v. Combination Fountain Co., 317 Ill. 165.
Wehrwein v. Eastman Springs Beverage Co., 238 Ill. App. 443.

Instructions to Jury:

People v. Reeves, 229 Ill. App. 616.

Investment Contracts:

Dobal v. Guardian Finance Corp., 251 Ill. App. 220.
Prohaska v. The Hemmer-Miller Dev. Co., 256 Ill. App. 220.

Liability of Officers:

Wehrwein v. Eastman Springs Beverage Co., 238 Ill. App. 443.
Dixmoor Golf Club v. Evans, et al, 325 Ill. 612.
Abrams v. Love, 254 Ill. App. 428.
Laursen v. Memering & Co., 260 Ill. App. 515.

Notes Given for Securities:

Kinross v. Cooper, 224 Ill. App. 111.
McGregor v. Lamont, 225 Ill. App. 451.
Edelbrock v. Rexroth, 232 Ill. App. 646.

Participation Certificate:

Wood v. Meyer, 240 Ill. App. 100.

Pleadings:

Stewart v. Brady, 300 Ill. 425.
Trakas v. Cokins, 224 Ill. App. 327.
Liberty State Bank v. Anglar, 231 Ill. App. 498.
People v. Friedman, et al, 321 Ill. 572.
Abrams v. Love, 254 Ill. App. 428.

Purpose of Act:

People v. Lee, 311 Ill. 552.

Review:

Fidelity Inv. Assn. v. Emmerson, 235 Ill. App. 518.
Fidelity Inv. Assn. v. Emmerson, 318 Ill. 548.

Sale by Owner:

Snitzler-Warner Co. v. Stein, 234 Ill. App. 392.
Fuchs v. Daskal, 244 Ill. App. 107.

Tender:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
Puntenney v. Mantle, 234 Ill. App. 137.
Weber v. Rupp, 235 Ill. App. 132.
Puntenney v. Wildeman, 318 Ill. 139, affirming 234 Ill. App. 547.

Terms Defined:

1. "Filed"—
People v. Glassberg, 326 Ill. 379.
2. "Sale"—
Kyteen Oil & Gas Co. v. Parks, 227 Ill. App. 95.
People v. Revesz, 229 Ill. App. 616.
People v. Gillett, 243 Ill. App. 41.
Illinois-Indiana Fair Association v. Phillips, 241 Ill. App. 454.
3. "Offering for Sale"—
People v. Hill Top Metals Mining Co., 300 Ill. 564.
4. "Solicitor"—
People v. Curtis, 233 Ill. App. 13.
5. "Speculative"—
Stewart v. Brady, 300 Ill. 425.
6. "Issuer" and "Seller"—
Abrams v. Love, 254 Ill. App. 428.

Title of Act:

Stewart v. Brady, 300 Ill. 425.

Void—Voidable:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
Puntenney v. Wildeman, 318 Ill. 139.
Weber v. Rupp, 235 Ill. App. 132.
Wood v. Meyer, 240 Ill. App. 100.
Forsyth v. Kingsbury, 242 Ill. App. 646.
Perkins v. Dale, 240 Ill. App. 20.
Duke v. Olson, 240 Ill. App. 198.
Caldwell v. Cole, 326 Ill. 502.
Rudolph-Christy Casket Co. v. Tancl, 244 Ill. App. 314.

Voting Rights of Stockholders:

People ex rel. The Watseka Telephone Co. v. Emmerson, 302 Ill. 300.

Witnesses:

People v. Love, 310 Ill. 558.

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THE ILLINOIS SECURITIES LAW

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| § 1. Name of law. | —may propound interrogatories. |
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| § 11. Examination by certified public accountant—compensation—investigation by Secretary of State—when capital to be held intact—may require bond and financial statements. | § 23e. Grounds for refusal to register or for cancellation of registrations of dealers and brokers. |
| § 12. Stock issued or to be issued for intangible property to be placed in escrow. | § 23f. Grounds for refusal to register or for cancellation of registrations of solicitors and agents. |
| § 12a. Leasehold, construction, etc., legend on notes and bonds. | § 23g. Review of Secretary of State's action in refusing to register or in cancelling registrations of dealers, brokers, solicitors and agents. |
| § 13. Repealed. | |
| § 14. Repealed. | § 23h. Hearings in connection with registrations of dealers, brokers, solicitors and agents or cancellations of same. |
| § 15. Twenty-five copies of summary of Class "D" securities to be deposited with Secretary of State—caption of summary. | § 23i. Injunctions regarding dealers, brokers, solicitors and agents. |
| § 16. Issuers and individuals to file irrevocable consents to service of process. | § 24. Injunctions to prevent sales—and to enforce provisions of the Act—power of Secretary of State to suspend or cancel permission to sell securities. |
| § 17. Secretary of State to examine statements—may refuse to file | |

ERRATA:—Sec. 4, paragraph 6, page 5.

(6) Issued by any corporation organized not for pecuniary profit when such corporation is organized exclusively for agricultural, educational, benevolent, fraternal, charitable and/or reformatory purposes;

THE ILLINOIS SECURITIES LAW—Continued.

- § 25. Rules and regulations by Secretary of State—right of review.—limitation of charges and commissions—Secretary of State may prescribe and furnish form—documents filed in office of Secretary of State open to inspection of the public.
- § 26. Fees—see also section 23.
- § 27. Repealed.
- § 28. Additional copies of statements to be submitted on request of the Secretary of State.
- § 29. Owner, broker, agent, etc., offering to sell securities without compliance with Act guilty of a misdemeanor—penalty.
- § 30. Issuer, etc., offering to sell securities without compliance guilty of a misdemeanor—penalty.
- § 31. Issuer, owner, broker, agent, etc., guilty of a second or subsequent offense—penalty.
- § 32. False statements made by broker, etc., not authorized by issuer guilty of a misdemeanor—penalty.
- § 33. Signing any statement, etc., knowing same to be false is prima facie evidence of knowledge of falsity—perjury—penalty.
- § 34. Sale of securities with knowledge of the insolvency of the issuer makes party selling same guilty of embezzlement—penalty.
- § 35. Any person interested may maintain action to recover money in excess of 20% not paid to issuer.
- § 36. Sale contrary to information filed, or on other terms is prima facie evidence of fraud.
- § 37. Sales contrary to Act void—liability to the purchaser for the amount paid with reasonable attorney's fees in law or equity. Burden of proof to establish exemption rests upon issuer or seller in all civil and criminal actions—violations to be referred to proper officers for prosecution. Solicitors, agents, brokers, officers, directors and all persons who shall sell or offer for sale securities or aid or assist therein deemed equally guilty and may be punished in county in which offer or sale was made or in county of delivery. Certificate of compliance or non-compliance with provisions by the Secretary of State shall constitute prima facie evidence and shall be admissible in evidence in any action at law or in equity.
- § 38. Act does not relieve corporations from making reports as required to be made under other existing laws.
- § 39. Foreign corporations desiring to sell securities must comply with the law regulating admission of such corporations.
- § 40. Prosecutions under Act to be brought within five years.
- § 41. Invalidity of one provision or section does not affect remainder of Act.
- § 42. Acts repealed—certificate or evidence of compliance with law repealed not to be exhibited—contractual obligations not impaired.
- § 43. Emergency.

(Approved June 10, 1919, as Amended.)

AN ACT relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith.

Section 1. Be it enacted by the People of the State of Illinois, represented in the General Assembly: This Act shall be known as "The Illinois Securities Law."

Sec. 2. The words and phrases used herein shall, unless the context otherwise indicates, have the following meaning:

(1) The word "securities" shall mean and include stock, treasury stock, bonds, debentures, investment contracts, notes, evidences of indebtedness, participation certificates, certificates of shares or interest, preorganization certificates and preorganization subscriptions, certificates evidencing shares of or interest in trust estates or associations, profit sharing agreements or certificates; or any certificate, contract or instrument whatsoever, representing or constituting evidence of, or secured by, title to or interest

in, or any lien or charge upon, the capital or any property or assets of the Issuer thereof, and any oil, gas or mining lease, and interest, units or shares in any such lease or leases, income contracts, annuity contract unless issued by insurance companies, bankers shares, trustees shares, investment participating bonds, investment trust debentures, units, shares, bonds, debentures and certificate in, for, respecting or based upon any form of securities or collateral, subscriptions and contracts covering or pertaining to the sale and/or purchase of securities on the installment plan, and any other instrument commonly known as a security.

(2) The word "issuer" shall include every person and every company, trust, partnership or association incorporated or unincorporated heretofore or hereafter formed which proposes to issue, which shall have issued or which shall hereafter issue any security. Any natural person who acts as a promoter for and on behalf of a corporation, trust or unincorporated association or partnership of any kind to be formed shall be deemed to be an issuer. As used in this Act the term "trust" shall be deemed to include a common law trust, and all other trusts, except a trust created or appointed under or by virtue of a last will and testament or by a court of law or equity or any charitable trust.

(3) The word "file" or "filing" within the meaning of this Act, shall mean the endorsement thereof by the Secretary of State on any statement or document received of the word "filed" followed by the month, day, year, and name of Secretary of State, for the purpose of showing that, in his opinion, the issuer, solicitor, agent, broker, dealer or owner has complied with the provisions of this Act, and no statement, document or other instrument deposited with the Secretary of State shall be treated or considered as filed unless and until so endorsed.

(4) The terms "sale," "offer for sale" or "sell" shall include every disposition, or attempt to dispose, of a security or interest in a security for value. The term "sale" means and includes contracts and agreements whereby securities are sold, traded or exchanged for money, property or thing of value, or any transfer or agreement to transfer, in trust or otherwise. Any security given or delivered with, or as a bonus on account of, any purchase of securities or other thing of value, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The term "sell" means any act by which a sale is made and the term "sale" or "offer for sale" shall include a subscription, an option of sale, a solicitation of sale, an attempt to sell, or an offer to sell, directly or by an agent, by a circular, letter or advertising, or otherwise; provided, however, that nothing herein shall limit or diminish the full meaning of the terms "sale," "sell" or "offer for sale" as used by or accepted in courts of law or equity.

(5) The terms "dealer" or "broker" shall include every person and every company, firm, trust, partnership or association, incorporated or unincorporated, other than a solicitor or issuer, that engages either wholly or in part in the business of selling, offering for sale, negotiating for the sale of or otherwise dealing in any securities issued by another or by others, or underwriting, purchasing or otherwise acquiring such securities from another for the purpose of reselling them or of offering them for sale, or

offering, buying, selling or otherwise dealing or trading in securities as a broker, agent or principal, or who deals in futures or differences in market quotations of prices or values of any securities or accepts margins on purchases or sales or pretended purchases or sales of such securities.

(6) The terms "solicitor" and "agent" shall include every natural person, other than dealer, broker or issuer, employed or appointed or authorized by a dealer, broker or issuer, to sell securities in any manner in this State, or who takes subscriptions for the sale of any securities. (As amended by Acts approved June 11, 1921 and July 2, 1925.)

Sec. 3. For the purpose of this Act, securities are divided into six classes, as follows:

(1) Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";

(2) Securities, the inherent qualities of which, or in the nature of one or both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";

(3) Securities based on established income, which shall be known as securities in Class "C";

(4) Securities which shall be a class known as "Investment contracts";

(5) Securities of organizations known as "Investment Trusts" as hereinafter in sec. 7a defined.

(6) Securities based on prospective income, which shall be known as Securities in Class "D".

(NOTE—This Sec. 3 was amended by two Acts approved July 7, 1931. These two Acts are being consolidated for convenience.)

Sec. 4. Securities in Class "A" shall comprise securities:

(1) Issued or guaranteed by a government, or by any state, province or political subdivision thereof, or by any governmental agency, or by any body having power of taxation or assessment;

(2) Issued by any National Bank, or by any State Bank or trust company of this State, or by any building and loan association of this State, or by any insurance company under the supervision of the Department of Trade and Commerce of this State, provided, however, that the foregoing shall apply only to the capital stock or shares, or obligations to pay, of such bank, trust company, building and loan association, or insurance company;

(3) Issued or guaranteed by any corporation operating any public utility in the United States or any state thereof or in the Dominion of Canada or any province thereof wherein there is or was at the time of issuance thereof in effect any law regulating such utilities and the issue of securities by such corporation, and evidences of indebtedness secured by collateral consisting of any securities herein above in this paragraph three (3) described, provided, that such collateral securities equal in par value 125% of the par value of the evidences of indebtedness so secured;

(4) While listed and dealt in on the New York, Boston or Chicago Stock Exchange, or Board of Trade of the City of Chicago, or the Chicago

Curb Exchange Association, respectively, pursuant to official authorization by such exchanges, respectively, and securities senior to any securities so listed and dealt in, or guaranteed by any corporation, the common capital stock of which is so listed and dealt in;

(5) Issued and outstanding in the hands of the public prior to June 10, 1919, of corporations whose business has been continuously in operation since that date, provided, that financial statements of the issuing corporation appeared in any standard manual of securities for the year 1920, approved by the Secretary of State, or provided, that quotations of such securities have appeared in tabulated market reports published as news items, and not as advertising, in a daily newspaper of general circulation published in the English language, in any city of two hundred thousand inhabitants or over in the State of Illinois, at least twelve times in each of the years 1919 and 1920, respectively, and at least twelve times during the twelve calendar months next preceding the offering for sale thereof;

(6) Issued by any corporation organized not for pecuniary profit when such corporation is organized exclusively for educational, benevolent, fraternal, charitable and/or reformatory purposes;

(7) Being notes or bonds secured by a mortgage lien upon real estate or leasehold or bridges over rivers or other bodies of water (other than oil, gas and mining leases) in any state or territory of the United States or in the Dominion of Canada;

(a) When the mortgage is a first mortgage on real estate or leasehold and issued prior to July 1, 1932, and when the aggregate face value of such notes or bonds (but not including interest notes or coupons) secured thereby does not exceed seventy (70) per centum of the fair market value of such real estate or leasehold, and when issued after June 30, 1932, and prior to January 1, 1933, does not exceed sixty-five (65) per centum of such fair market value, and when issued after December 31, 1932, does not exceed sixty (60) per centum of such fair market value;

(b) When the aggregate face value of the notes or bonds (but not including interest notes or coupons) secured by a first mortgage lien upon real estate and buildings or bridges over rivers or other bodies of water or leasehold and buildings or bridges over rivers or other bodies of water, in good faith, forthwith to be erected thereon, according to the terms of the mortgage, does not exceed sixty (60) per centum of the fair market value of such real estate and buildings or bridges over rivers or other bodies of water, or leasehold and buildings or bridges over rivers or other bodies of water; (c) When the mortgage lien is a junior mortgage upon real estate or leasehold (other than oil, gas and mining leases) or bridges over rivers or other bodies of water and the aggregate value of such mortgage and notes or bonds secured thereby, together with all other existing prior and/or concurrent liens of equal or superior rank, (but not including interest notes or coupons) does not exceed seventy-five (75) per centum of the fair market value of such real estate or leasehold, or bridges over rivers or other bodies of water;

(8) Being a note secured by a first mortgage upon tangible or physical property, when such mortgage is assigned with such securities to the purchaser;

(9) Evidencing indebtedness due under any contract made in pursuance to the provisions of any statute of any state of the United States providing for the acquisition of personal property under conditional sale contract;

(10) Being negotiable promissory notes given for full value and for the sole purpose of evidencing or extending the time of payment of the price of goods, wares or merchandise purchased by the issuer of such notes in the ordinary course of business, and promissory notes or commercial paper running not more than six months from the date of issue, and shall be issued within three months after the date of sale, provided, however, that no provision for renewal is contained in such promissory notes or commercial paper;

(11) Being subscriptions for or sales of shares of the capital stock of a corporation prior to the incorporation thereof under the laws of the State of Illinois, when no expense is incurred, or no commission, compensation or remuneration is paid or given for or in connection with the sale or disposition of such securities;

(12) Bonds or notes secured by lien on freight and/or passenger vessels shown by policies of marine insurance taken out in responsible companies to be of value, after deducting any or all other indebtedness secured by prior lien, of not less than 125% of the par amount of such bonds or notes;

(13) Being interest-bearing certificates which entitle the holder thereof to a beneficial interest to the extent of the principal sum of said certificate, with interest at the rate specified therein, in the proceeds and avails of the deposit with a trust company organized and existing under and by virtue of "An Act to provide for and regulate the administration of trusts by trust companies," approved June 15, 1887, and amendments thereto, of Local Improvement Bonds, and Vouchers, issued under authority of "An Act concerning Local Improvements" approved June 14, 1897, and amendments thereto, by Illinois municipal corporations having a population of not less than twenty thousand inhabitants according to the last United States or state census, to the extent of not less than one hundred ten per centum of the outstanding interest bearing certificates;

(14) Payment of the principal and interest of which is jointly and severally guaranteed by two or more surety companies authorized to do business in the State of Illinois; provided that each such surety company shall hold a Certificate of Authority from the Secretary of the Treasury of the United States as an acceptable surety on Federal bonds and the total combined capital and surplus of such two or more surety companies shall not be less than three million dollars (\$3,000,000).

It shall not be necessary to file any statement in the office of the Secretary of State with reference to securities in Class "A", except as to notes or bonds secured by a mortgage lien upon real estate or leasehold or bridges over rivers or other bodies of water. Before selling or offering to sell such securities, except as hereinafter provided, the issuer, or owner, as the case may be, shall file in the office of the Secretary of State an inventory, in such detail as the Secretary of State shall require, of the prop-

erty by which such securities are secured. Such inventory shall be accompanied by an appraisalment made by a qualified person or persons, provided that such inventory shall not be required in any case where the principal amount secured by the mortgage lien shall not exceed fifty thousand dollars (\$50,000) or in any case where the notes or bonds secured by mortgage lien are all sold at a single sale. The Secretary of State shall make such regulations and prescribe such forms for the filing of the inventory and appraisalment as may be deemed proper. The Secretary of State shall have the power and authority to examine such inventory and appraisalment and if the information contained therein shall be found insufficient the Secretary of State may ask for such additional information as may be deemed necessary, or may make or cause to be made an investigation respecting same, provided that the cost of such investigation shall be borne by the applicant. If, upon an examination and investigation of the inventory and appraisalment, the Secretary of State is of the opinion that the aggregate face value of the notes or bonds, mentioned in sub-division (7) of this Section, exceeds the percentage or percentages, in said sub-division (7) of this Section provided for, he shall refuse to file such inventory and appraisalment. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated. Such appraisalment shall be verified by the oath of the person or persons making the same, and the cost of such appraisalment shall be borne by the applicant. Except as above provided, and subject to the provisions of section 12a and section twenty-three (23) of this Act, securities of Class "A" may be offered for sale and sold in this State. (As amended by Acts approved June 11, 1921, July 2, 1925, June 14, June 21 and June 24, 1929, and July 7, 1931. Note—This section 4 was amended by two acts approved July 7, 1931. These two acts are being consolidated for convenience.)

Sec. 5. Securities in Class "B", being exempted sales, shall include:

(1) The sale in a bona fide manner of any security by or on behalf of a vendor who is not an issuer, or underwriter thereof, or a dealer and broker, and who, being a bona fide owner of such security, disposes of his own property for his own account;

(2) Capital stock of a corporation when sold or distributed by it among its stockholders without the payment of any commission or expenses to agents, solicitors or brokers, and without incurring any liability for any expenses whatsoever, in connection with the distribution thereof;

(3) Securities when sold by or to any bank, trust company or insurance company or association organized under the banking or insurance laws of this State or of the United States, or doing business in this State under the supervision of the Department of Trade and Commerce; or of the Auditor of Public Accounts; or by or to any building and loan association organized and doing business under the laws of this State, or any public sinking fund trustees;

(4) Securities when sold to any corporation, or any broker or dealer in securities;

(5) Securities when sold or offered for sale at any judicial, executor's or administrator's sale, or at any sale by a receiver or trustee in insolvency or bankruptcy, or at a public sale by auction held at an advertised time and place.

Securities when disposed of by the persons and in the manner provided by this section, shall not be subject to the provisions of this Act in such transactions; provided, however, that such securities shall not be resold, except as is in this section provided, without compliance with the provisions of this Act. (As amended by Acts approved June 11, 1921 and July 7, 1931).

Sec. 6 Securities in Class "C" shall comprise the following:

Those issued by a person, corporation, firm, trust, partnership or association owning a property, business or industry which has been in continuous operation not less than two years and which has shown during a period of not less than two years prior to the filing of the statement herein provided for, average annual net profits, exclusive of all prior charges, as follows:

(1) In the case of interest bearing securities, not less than one and one-half times the annual interest charge thereon and upon all other outstanding interest bearing obligations of equal rank;

(2) In the case of preferred stock, not less than one and one-half times the annual dividend on such preferred stock and on all other outstanding stock of equal rank;

(3) In the case of common stock, not less than 3% per annum upon the price at which same is or is to be offered, and on all other outstanding common stock. (As amended by Acts approved June 11, 1921 and July 7, 1931.)

Sec. 6a. Securities of the class known as "Investment Contracts" shall comprise the following:

Investment contracts, or annuity contracts, or installment investment contracts, or installment investment certificates, or installment participation certificates, or installment investment bonds, or securities of like kind, which contemplate that the issuer shall pay or deliver, or whereby the issuer agrees to pay or deliver, either absolutely or conditionally, to the purchaser or holder of the contract, certificate, bond or like security, a sum of money at a future time, either with or without interest, in consideration of a payment or payments made or contemplated to be made by such purchaser or holder, which securities are hereinafter referred to as investment contracts, provided the issuer shall deposit and maintain with the State Treasurer of this State, for the benefit of the holders of such investment contracts, a deposit of securities in which life insurance companies of this State are permitted to invest their funds under Section 1 of "An Act to regulate the investment of the funds and the real estate holdings of life insurance companies," in force July 1, 1907, in an amount not less than fifty thousand dollars (\$50,000), and at no time less than the issuer's current contract liability on all such outstanding investment contracts as defined therein, hereafter sold in the State of Illinois; provided, however, that such deposit of the issuer shall not be required to be in excess of fifty thousand dollars (\$50,000) if the issuer shall have on deposit

with the public officials of other states securities which together with said deposit of fifty thousand dollars (\$50,000) shall equal one hundred per cent (100%) of the issuer's said current contract liability on all its outstanding investment contracts. Securities deposited may be withdrawn at any time by the issuer at its option whenever other securities of like character are deposited in equivalent amount with the State Treasurer of this State in substitution therefor, or to the extent of any excess over the aggregate amount of the issuer's said current contract liability on all such outstanding investment contracts hereafter sold in the State of Illinois, provided only that the amount of said deposit shall not be reduced by such withdrawal below \$50,000 unless the issuer has ceased to sell the investment contracts for which the deposit is maintained and no longer has authority to sell the same in this State. The State Treasurer of this State shall permit a reduction of such deposit by withdrawal of securities as herein provided upon the filing by the issuer of a proper affidavit showing that the amount of such deposit is in excess of the requirements of this section. Upon discharge in full of all liabilities on all investment contracts hereafter sold in the State of Illinois and for which such deposit is maintained, the issuer shall be entitled to a release and return of the securities so deposited. The issuer making such deposit shall be entitled to collect and receive the income and/or payments made on securities deposited; provided, however, that the amounts unpaid on deposited securities shall at no time be less than the minimum amount required to be deposited hereunder. The deposits with officials of other states shall be evidenced by the issuer filing annually with the State Treasurer of the State of Illinois certificates of such officials of other states as to such deposits.

All provisions of "The Illinois Securities Law" (except the provisions of sub-division (3) of Section 3, Section 6, and Section 7) relating to securities comprised in Class "C" shall apply to securities comprised in the class known as "Investment Contracts."

Sec. 6b. Securities in the class known as "Investment Contracts" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

A statement shall be filed in the office of the Secretary of State:

(1) Containing a description of, a copy of the form of, and specifying the amount of, the securities intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) If the issuer is a corporation, attaching a certified copy of the charter or articles of incorporation, and amendments thereto, and a copy of the by-laws;

(4) If the issuer is a firm, partnership, trust or unincorporated association, attaching a copy of the articles of partnership or association or the trust agreement;

(5) Attaching affidavits stating the names, addresses and occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers and directors of

the issuer, if it is a corporation, or of the persons composing the issuer, if the issuer is a non-incorporated association;

(6) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account; and

(7) Setting forth such other material facts as to such securities as the Secretary of State may prescribe.

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Investment Contracts under Illinois Securities Law," followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below." (As amended by Act approved July 7, 1931.)

Sec. 7. Securities in Class "C" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not other wise:

(a) A statement shall be filed in the office of the Secretary of State:

(1) Describing the evidences of indebtedness, preferred stock or common stock intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account;

(4) Giving the names and addresses of its principal officers and of its directors or trustees;

(5) Giving pertinent facts, data, and information establishing that the securities to be offered are securities in Class "C."

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Securities in Class 'C' under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

(b) By and with the consent and approval in writing of the Secretary of State any security in Class "C" may be offered for sale or sold

before the filing of the statement with respect thereto herein above in Paragraph (a) of this section seven (7) referred to, anything in this statute to the contrary notwithstanding such consent to be conditioned upon there being deposited in the office of the Secretary of State by the issuer or any party interested in the sale of such security:

1. A notice briefly describing the securities to be offered and stating the price at which such securities are to be offered to the public, the amount of the issue and the amount to be sold in Illinois;

2. The fee with respect to such securities prescribed in section 26 of this statute;

3. A copy of the circular to be used in selling or offering for sale such securities;

4. Such additional information as may be required by the Secretary of State; provided that within thirty days after the deposit of such documents, or within such further time as the Secretary of State may prescribe, there shall be filed in the office of the Secretary of State the statement with respect to such securities provided for in paragraph (a) of this section seven (7); and further provided, that no issuer or other party shall offer, advertise or sell any such security prior to the filing by the Secretary of State of the statement herein above in Paragraph (a) prescribed unless such issuer or other party shall have on file in the office of the Secretary of State an irrevocable consent and power of attorney with respect to the sale of Class "C" securities as provided in section 16 of this Act; and shall also have on file in the office of the Secretary of State a good and sufficient bond in the sum of not less than \$50,000.00, payable to the people of the State of Illinois, for the protection, use and benefit of purchasers and of all persons in interest, executed by a surety or guaranty company authorized to do business in this State conditioned that in the event the statement with respect to any securities shall not be filed, as above provided, the obligor in such bond will repay to any purchaser from such obligor, on demand and tender of such securities, the purchase price paid therefor. (As amended by Act approved June 11, 1921.)

Sec. 7a. 1. Securities of organizations known as "Investment Trusts," for the purposes of this Act, shall mean and include shares representing equitable ownership of or participation in, or the shares of capital stock of a corporation the assets of which consist of, property held in trust for the benefit of the holders of such shares by a bank or trust company having a capital and surplus of not less than \$1,000,000, which property consists principally of securities and/or cash. For the purposes of this section 7a investment trust shares shall consist of the following:

(a) Shares of fixed investment trusts shall mean and include shares of an investment trust in which no change (other than elimination under provisions of the trust instrument requiring the net proceeds of such elimination to be distributed) can be made in the identity of the securities deposited in such trust except upon the happening of one or more events specified in the trust instrument and which are beyond the control of any party thereto.

(b) Shares of semi-fixed trusts in which discretionary changes are permitted in the securities held in such trust involving substitution as well as elimination.

2. Shares of fixed trusts may be sold in this State upon registration by description as set forth in this section 7a, provided that the basic securities in such trust shall consist of Class "A" securities as defined in paragraphs (1), (2), (3) and/or (4) of Section 4 of this Act (excluding, however, any investment trust shares) and/or cash.

Such registration shall be effected by the filing by any registered dealer or broker, in the office of the Secretary of State, on forms prescribed by the Secretary of State, a description of such investment trust shares which shall state under oath:

(a) The name of such investment trust shares;
 (b) The name and address of the trustee;
 (c) The name and address of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust;

(d) The name and address of the person, firm or corporation having general charge of the distribution of such investment trust shares;

(e) All deductions which may be made from the trust estate or the income therefrom (except taxes and other governmental charges and distributions to the holders of such investment trust shares) together with reference to the provisions of the trust agreement providing for such deductions;

(f) A full and complete statement of the method of meeting continuing trustee's fees throughout the life of the trust.

The foregoing description shall be accompanied by a copy of the trust agreement, copies of any and all agreements relating to or in any way affecting the administration of the trust, and copies of all prospectuses, circulars, or advertisements then prepared to be used in connection with the sale of such investment trust shares to the public.

Such registration shall be completed when the information above described, together with the accompanying documents and the fees hereinafter required, shall be received in the office of the Secretary of State. Such registration shall be automatically revoked whenever any security in the trust listed on a stock exchange approved under paragraph (4) of section (4) of this Act, which is not otherwise a Class "A" security as defined in paragraphs (1), (2) and/or (3) of Section 4 of this Act, shall cease to be listed on any stock exchange approved under paragraph (4) of section 4 of this Act, provided, however, that if such security is eliminated from the trust such registration shall automatically be restored. In the event of any amendment of the trust agreement, or of the happening of any event affecting the statements contained in the description, a new description shall be filed.

At the time of filing any such description and annually thereafter so long as such investment trust shares shall be sold in this State, there shall be paid to the Secretary of State (in lieu of all other fees required by this Act) a fee of \$100.

After registration of such investment trust shares in the manner hereinbefore described any registered person, owner, dealer, broker, solicitor or agent may sell the same at any price within the limitation provided in paragraph 4 of this section 7a, upon filing in the office of the Secretary of

State on a form prescribed by the Secretary of State, a written notice of such intention to sell.

3. All investment trust shares which are not registered by description under the foregoing provisions shall, before being sold in this State, be registered by qualification in the manner hereinafter in this section 7a provided.

An application for qualification shall be filed in the office of the Secretary of State by the person, firm or corporation having general charge of the distribution of such investment trust shares. Such application shall be on forms prescribed by the Secretary of State and shall include all of the information required by the foregoing paragraph 2.

The application shall also state the names, addresses and business affiliations of the officers and directors or the partners of the applicant and of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust. The Secretary of State in his discretion may from time to time require such other information as he may at any time deem necessary or appropriate to determine the fitness of such investment trust shares for qualification.

At the time of filing the application the applicant shall pay to the Secretary of State a filing fee of \$10.

The Secretary of State, in his discretion, may make or cause to be made an examination of all matters appertaining to the trust, including the applicant, the person, firm or corporation creating or sponsoring such investment trust shares or depositing such securities in the trust and the trustee, and may require the applicant to advance sufficient funds to pay for all or any part of the actual expenses of such examination, an itemized statement of which shall be furnished to the applicant.

Unless the Secretary of State shall find:

(a) That the character of securities to be deposited, the proposed offer or disposal of such investment trust shares, the plan of issuance and sale thereof, or the plan of administration of the trust under the trust agreement is fraudulent or would work or tend to work a fraud; or

(b) That adequate provision has not been made to meet continuing trustee's fees throughout the life of the trust, then the Secretary of State shall notify the applicant that upon payment of the registration fee of \$100 the qualification of such investment trust shares will be registered. Such registration fee shall be paid annually thereafter and in the event of failure to make such payment such registration shall be automatically revoked. Such qualification may be revoked at any time by the Secretary of State for cause.

After registration of such investment trust shares with the Secretary of State, any person, owner, dealer, broker, solicitor or agent registered under section 23 of this Act may sell the same at any price within the limitation described in paragraph 4 of this section 7a, after having given the Secretary of State on a form prescribed by him a written notice of intention to sell.

4. No investment trust shares shall be sold in this State unless, on the date of sale to the public, the market value of the securities underlying the same plus the fair value of any other property and cash applicable to

each investment trust share so sold, is equivalent to not less than 90% of the sales price of such investment trust share to the public. The market value of each underlying security which is listed shall be determined during period while the exchange on which such security is listed is open, by actual transaction prices on such exchange, computed at odd lot prices and including customary brokerage commissions actually paid. During periods while the exchange upon which any such underlying security is listed is closed, such market value shall be determined by the last closing asked price thereof figured at odd lot prices and including customary brokerage commissions actually paid. The market value of any unlisted security shall be determined as nearly as is reasonably possible in the same manner as the market value of a listed security as hereinabove set forth.

5. The Secretary of State may suspend or revoke the registration of any person, owner, dealer, solicitor or agent violating any of the provisions of this Act. (As amended by Act approved July 7, 1931.)

Sec. 8. All securities other than those falling within Class "A", "B", "C", "Investment Contracts", respectively, and securities of organizations described as "Investment Trusts", shall be known as securities in Class "D".

(NOTE.—This Sec. was amended by two Acts approved July 7, 1931. These two Acts are being consolidated for convenience.)

Sec. 9. No security in Class "D", shall be sold or offered for sale until there shall have been filed in the office of the Secretary of State, statements and documents as follows:

(1) A description and amount of the securities intended to be offered for sale;

(2) If the issuer is a corporation, a certified copy of the charter or articles of incorporation and by-laws;

(3) If the issuer is a firm, trust, partnership or unincorporated association, a copy of the articles of partnership, association or trust agreement;

(4) The names, addresses and prior occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers, directors or trustees of the issuer, if it be a corporation, or of the persons composing the issuer, if the issuer be a non-incorporated association. The statement in this paragraph (4) provided for shall be verified by the oath of one of the persons hereinabove mentioned or by some person familiar with such facts;

(5) A description of the nature of the industry engaged in or intended to be engaged in and the approximate time when such industry was or will be established;

(6) An inventory showing the assets of the issuer;

(7) An appraisalment of the assets of the issuer;

(8) A statement in detail of the gross income of the issuer and the source or sources thereof and of its operating and other expenses for a period of twelve (12) months prior to the date of filing such statement, or for the period of the existence of the issuer if less than two years prior to the date of filing;

(9) A copy of the most recent balance sheet of the issuer, showing the financial condition of the issuer at a date not more than thirty (30) days prior to the date of filing, and giving an analysis of surplus account from inception of such issuer;

(10) A copy of the mortgage, trust deed, indenture or writing securing the securities, [or] whereunder the same are issued, if any such instrument there be;

(11) A copy of the form of the securities intended to be offered;

(12) A copy of any and all subscription blanks to be used in the sale thereof, which subscription blanks shall have printed thereon, "These are speculative securities."

(13) A statement as to the manner in which the securities are to be offered and sold;

(14) If the securities be intended to be offered and sold by the issuer through solicitors, agents or brokers, an irrevocable contract executed by each such solicitor, agent or broker authorized to offer or sell such securities by or on behalf of the issuer to the effect that the issuer will receive in cash not less than 80% of the proceeds of each sale of the securities without deduction for any commission or expenses, directly or indirectly, and without liability to pay any sum whatsoever as commission or expenses or for services in and about such sale;

If the securities shall have been or be intended to be sold to any dealer, solicitor, agent or broker and intended to be by such dealer, solicitor, agent or broker sold to the public for their own account, a statement verified under oath, establishing that the price paid to the issuer was or will be without any fixed or contingent right in the issuer to demand or receive any additional sum on account of such securities or the sale thereof;

(15) A summary of the material facts disclosed by the preceding statements;

(16) Such other facts relative to such securities as the Secretary of State shall prescribe.

Such statements and documents shall, except as otherwise provided herein be verified by the oath of not less than two of the officers of the issuer, if the issuer be a corporation, or by not less than two members of a firm, trust, partnership or association, if the issuer be non-incorporated, or by the oath of the owner or owners, as the case may be, provided that at least one of the oaths required hereunder shall be taken before an officer of this State, authorized to administer oaths therein.

The Secretary of State may require further and additional verification under the oaths of other persons.

(As amended by Act approved July 7, 1931.)

Sec. 10. With the statement required to be filed in the office of the Secretary of State with reference to securities in Class "D", there shall also be filed an inventory, in such detail as the Secretary of State shall require; showing the assets of the issuer as of a date not more than thirty (30) days prior to the date of filing thereof. Such inventory shall be accompanied by an appraisalment made by a disinterested qualified person or persons who may be selected by the Secretary of State, showing the value of the assets described in such inventory. The person or persons making such

appraisement shall state in such appraisement the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated.

Such appraisement shall be verified by the oath of the person or persons making the same. (As amended by Act approved June 11, 1921.)

Sec. 11. At any time, either before or after the filing of any statement required by this Act to be filed with reference to securities in Class "C" or Class "D" the Secretary of State may designate a certified public accountant to make an examination of the books, records, papers and documents, of the issuer and make a report of the examination thereof to the Secretary of State. The Secretary of State shall fix the compensation of such certified public accountant in advance and shall notify the issuer thereof of the amount so fixed, which compensation shall be paid by the issuer to such certified public accountant as his compensation for making such examination.

The Secretary of State may secure information from or through others and may make or cause to be made investigations respecting the business, affairs and property of the issuer, and in financing by the sale of securities in Class "D", the Secretary of State in his discretion may require that the capital to be obtained by such sales, be held intact until the completion of the sale of securities, or so much or such portion of the issue to be sold as may in the opinion of the Secretary of State prevent loss of such capital or fraud upon the purchasers of such securities, and for such purpose take bond to the People of the State of Illinois for the use and benefit of such purchasers with sufficient sureties, or may accept other safeguards in lieu thereof; and may require financial statements and reports of the issuer so often as circumstances appear to warrant. (As amended by Act approved June 11, 1921.)

Sec. 12. If the statement as to securities in Class "D" shall disclose that any of such securities shall have been or shall be intended to be issued for any patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, the amount and nature thereof, shall be fully set forth, and securities issued in payment of such patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, shall be delivered in escrow to such bank or trust company as shall be designated by the Secretary of State under an escrow agreement that the owners of such securities shall in case of dissolution or insolvency not participate in the assets of the corporation until after the owners of all other securities have been paid in full. Such escrow agreement shall remain in full force until the securities of the issuer thereof are qualified under Class "C" hereof.

Sec. 12a. Before selling or offering for sale notes or bonds under sub-division (7) of section 4 of this Act: (a) When the mortgage is a first mortgage on a leasehold, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the text and face thereof a legend, in red letters not less than one-half inch in height, stating that the mortgage notes or bonds are on a leasehold; (b) When the notes or bonds (but not including interest notes or coupons)

are secured by a first mortgage lien upon real estate and buildings or bridges over rivers or other bodies of water, in good faith, to be erected thereon, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the face and text thereof a legend, in red letters not less than one-half inch in height stating that the note or bond is a construction note or bond, and stating in addition, in the case of a leasehold, that the mortgage securing such notes or bonds is on a leasehold; (c) When the mortgage lien is a junior mortgage upon real estate or leasehold or bridges over rivers or other bodies of water, such notes or bonds secured thereby (but not including interest notes or coupons) shall each bear across the face and text thereof a legend in red letters not less than one-half inch in height, stating (1) that the mortgage is a second or third mortgage, or, as the case may be, (2) that the mortgage is on a leasehold, if that be the case, and (3) that the note or bond is a construction note or bond, if that be the case. (Act approved July 7, 1931.)

Sec. 13. Repealed April 28, 1932.

Sec. 14. Repealed April 28, 1932.

Sec. 15. Not less than 25 printed or typewritten copies of the summary of the statement required to be filed with reference to securities in Class "D" shall be deposited in the office of the Secretary of State. The printed or typewritten copies so deposited shall bear at the top in bold face type the expression:

"Securities in Class 'D' under Illinois Securities Law: These are speculative securities," followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois nor any officer of the State assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

Sec. 16. Before any securities in Classes "C" or "D" shall be sold or offered for sale by the issuer thereof, other than through a registered dealer and broker and/or before any applicant shall be registered as dealer and broker, under the provisions of this Act, such issuer, or applicant, shall file in the office of the Secretary of State a written irrevocable consent and power-of-attorney, that suits at law or in equity, arising out of or founded upon the sale or offering for sale of any securities in violation of this Act may be commenced against the corporation, firm or partnership, association, or person executing such power-of-attorney, in any court of competent jurisdiction within this State, in any county in which the plaintiff or complainant resides, or in which the cause of action may have arisen, by the service of process upon the Secretary of State, and therein agreeing and stipulating that such service of process upon the Secretary of State shall be taken and held in all courts to be as valid and binding, as if due service had been made upon the corporation, firm or partnership, association, or person executing such power-of-attorney, according to the law of this state. Such instrument in the case of a corporation, shall be signed by its authorized officer, agent or attorney-in-fact under its corporate seal, if it has one, pursuant to a resolution of its governing body, a certified copy of which resolution shall be attached to such irrevocable consent and power-of-attorney; or if a person, firm or partnership, or asso-

ciation, then signed and acknowledged by such person or by any duly authorized agent of such firm or partnership, or association. Whenever any process is served upon the Secretary of State, he shall at once forward a copy of the same by registered mail to the defendant at his or its last address of record in the office of the Secretary of State. (As amended by Act approved April 28, 1932.)

Sec. 17. Before filing any statement or document with reference to securities in Class "C" or Class "D" the Secretary of State shall within a reasonable time examine the same and, if the same is incomplete, inadequate, evasive or otherwise not in conformity with the provisions of this Act, or if the sale or offering for sale of securities based upon the plan or scheme evidenced by the statements and documents offered to be filed, would in the opinion of the Secretary of State work or tend to work a fraud upon the purchaser of such securities the Secretary of State shall refuse to file the same. Otherwise such statements or documents shall be filed by the Secretary of State. Upon the filing of such statements or documents by the Secretary of State, the issuer, solicitor, agent, broker, dealer or owner may proceed to sell the amount of securities proposed to be sold or disposed of in this State, but no written or printed evidence of the compliance with this Act shall be issued by the Secretary of State. The Secretary of State may, either before or after such statements and documents are filed, propound interrogatories to the persons filing, or offering to file, such statements or documents, respecting any facts required to be stated with reference to such securities. Such interrogatories shall be answered under oath. If such interrogatories relate to a statement or document offered to be filed, such statement or document shall not be filed until such interrogatories are answered, and not then unless such statement and document and the answers to such interrogatories disclose conformity with this Act. If such interrogatories relate to a statement or document already filed, such interrogatories shall be answered within twenty days or within such further time as the Secretary of State shall prescribe. If not answered within twenty days or within any extension thereof, the sale or offering for sale of the securities covered by the statement or document to which the interrogatories relate, shall be unlawful.

Sec. 18. Whenever the Secretary of State refuses to file any statement or document presented under the provisions of this Act, the person presenting such statement or documents for filing may within thirty days thereafter, file a petition in the Circuit Court of Sangamon County, against the Secretary of State, officially as defendant, to review his action in refusing to file such statement or document, alleging therein, under oath, in brief detail, the right of the petitioner to sell securities in this State, and praying that the Secretary of State be required to file in his office such statement or document.

If, upon a hearing, the court shall find upon consideration of the statement or document and other pertinent evidence that the sale or offering for sale of securities upon the basis, plan or scheme evidenced therein and thereby will not work or tend to work a fraud upon the purchaser or purchasers of such securities, and shall further find that the Secretary of State wrongfully concluded that the sale or offering for sale of such securities would work or tend to work a fraud upon purchasers thereof, and

that the petitioner is entitled to the benefits of and has complied with the provisions of this Act, the court may order such statement or document filed.

Either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court. Judgment against the petitioner shall not bar his right to file a new statement or document under the provisions of this Act, nor shall judgment in favor of the petitioner prevent the Secretary of State from thereafter applying for an injunction, or otherwise proceeding, as is provided in this Act. Merely technical irregularities in the procedure of the Secretary of State shall be disregarded and the burden of proof on all questions in controversy shall rest upon the petitioner. (As amended by Act approved June 11, 1921.)

Sec. 19. Every expression or statement made as an inducement to procure the filing of the information required by the provisions of this Act, either concerning Class "C" or Class "D" securities, shall be reduced to writing and verified under oath by the person making such expression or statement.

Sec. 20. So long as any security is sold or offered for sale under the provisions of this Act, such person, issuer, dealer, solicitor, agent or broker shall on or before the expiration of each six months' period, from the date of filing the original statements and documents, and oftener if required by the Secretary of State, file new or supplemental statements disclosing:

(1) The amount of securities sold, the sale price thereof and the amount of cash proceeds received therefor by the issuer;

(2) All changes in the financial conditions of the issuer or in its management or property, accompanied by a copy of the most recent balance sheet of the issuer showing the financial condition of the issuer at a date not more than 60 days prior to the date of such filing, and such other facts as the Secretary of State may require.

Such supplemental statement shall also be accompanied by not less than twenty-five wholly typewritten or printed copies of such summary of such supplemental statement, which summary shall be filed in the office of the Secretary of State.

Such supplemental statement shall be verified in the same manner as the original statement.

Whenever it shall be made to appear to the Secretary of State, by a verified statement in writing, that the entire issue of securities authorized for sale, under the provisions of this Act, has been sold and fully distributed to the public, or that the person, issuer, dealer and broker, or solicitor and agent, who filed the original statement hereunder, no longer desires to sell or offer for sale the securities qualified in said statement, or whenever the authority to sell such securities has been revoked in accordance with the provisions of paragraph (2) of Section 24 of the Act, thereafter the filing of any supplemental statement shall not be required. (As amended by Acts approved July 7, 1931 and April 28, 1932.)

Sec. 21. Each financial statement, prospectus, advertisement, circular and document circulated, published or distributed for the purpose of effecting sales of securities in Class "D" shall contain the words, in bold faced type, "Securities in Class 'D' under Illinois Securities Law. These are speculative securities." But it shall be unlawful to make any other

reference in any such matter to the fact that the issuer, solicitor, agent or broker has complied with the provisions of this Act. All such matter shall also contain a statement of the assets, liabilities, income and expenses of the issuer, the law under which the issuer was incorporated or organized, and the names and addresses of all officers, directors or trustees, of the issuer or of the owner of the property constituting the basis of the issue of such securities. A copy of each such financial statement, prospectus, advertisement, circular and document so circulated, published or distributed shall be filed in the office of the Secretary of State within ten (10) days after the first circulation, publication or distribution thereof. It shall be unlawful to print, publish, circulate or distribute such matter showing the earnings of other companies or corporations engaged in a similar business.

It shall be unlawful for any issuer, solicitor, agent or broker in any advertisement intended to promote the sale of securities in Class "C" to make any reference whatsoever to the fact that such issuer, solicitor, agent or broker has complied with the provisions of this Act.

Sec. 22. The Secretary of State shall, upon request therefor, mail or deliver to any person a copy of the summary of the statements or supplemental statements required to be deposited in his office.

Sec. 23. Except as to anyone making sales specified as exempt in Section five (5) of this Act, hereafter no dealer and broker, or solicitor and agent, shall offer for sale or sell securities within this State unless registered with the Secretary of State as dealer and broker, or solicitor and agent, provided, however, that registration as solicitor and agent shall not be required of any officer of a corporation, partner or member of a firm or partnership, or manager or trustee of an association, when such corporation, firm or partnership, or association is an issuer, or registered dealer and broker, within the provisions of this Act.

Sec. 23a. Any person, firm or partnership, association, or corporation desiring registration as dealer and broker, under the provisions of this Act, shall apply therefor, upon application forms prescribed by the Secretary of State, showing:

(a) The name and address of the applicant, location of its principal and all other offices, and the date of organization;

(b) A description of the applicant, including—

If the applicant is a partnership, unincorporated association or any similar form of business organization, the names, residence and business addresses of all partners, members, officers, directors, trustees or managers; the limitations, if any, of the liability of any partner, member, manager or trustee; and a ten (10) year occupational statement for each such officer, director, member, partner, manager or trustee;

If the applicant is a corporation, a list of its officers and directors, the residence and business address of each, a ten (10) year occupational statement of each officer and director, and a copy of the articles of incorporation, and amendments thereto, unless same are already on file in the office of the Secretary of State;

(c) The general plan and character of business of the applicant;

(d) In what other states registered, and if registration has ever been refused, cancelled, suspended or withdrawn in any state;

(e) Information and evidence as to the financial responsibility of the applicant;

(f) If the applicant is an individual, any pending civil or criminal proceedings for or against said applicant, or if said applicant has been convicted of a felony or any misdemeanor of which fraud is an essential element.

If the applicant is a corporation or partnership, unincorporated association or any similar organization, any pending civil or criminal proceedings for or against the officers, directors, partners, members, trustees or managers of same, or if such officers, directors, partners, members, trustees or managers have been convicted of a felony, or any misdemeanor of which fraud is an essential element; and

(g) Such additional information as to the previous history, record or association of the applicant, its officers, directors, members, partners, managers or trustees, as the Secretary of State may deem necessary to establish whether or not the applicant should be registered under the provisions of this Act, as dealer and broker.

The application for registration as a dealer and broker, under the provisions of this Act, shall be verified by the oath of one of the officers of the corporation, if the applicant is a corporation, or by a member of the firm, trust, partnership, or association, if the applicant is non-incorporated, or by a duly authorized agent of such corporation, firm, trust, partnership or association, as the case may be, or by the individual, if the applicant is an individual.

Sec. 23b. Any issuer, or dealer and broker, if duly authorized under the provisions of this Act, desiring to register a solicitor and agent shall apply therefor upon application forms prescribed by the Secretary of State, showing:

(a) The name and residence and business address of the solicitor and agent;

(b) A duly authenticated appointment by the issuer, or dealer and broker, of the solicitor and agent and a duly authenticated acceptance by such solicitor and agent of the appointment;

(c) The solicitor and agent's age and experience in the sale of securities and whether such solicitor and agent has ever been refused a license as a solicitor and agent in any state, or whether any license granted such solicitor and agent has ever been cancelled, suspended or withdrawn in any state;

(d) The nature of employment and names and addresses of employers of the solicitor and agent for the period of ten (10) years immediately preceding the date of application;

(e) If ever convicted of a felony, or any misdemeanor of which fraud is an essential element;

(f) The names and addresses of three (3) reputable persons of whom the Secretary of State may inquire as to the character and business reputation of the solicitor and agent; and

(g) Such additional information as to the solicitor and agent's previous history, record or association, as the Secretary of State may deem necessary to establish whether or not such person should be registered under the provisions of this Act as a solicitor and agent.

The application for registration as a solicitor and agent, under the provisions of this Act, shall, except as provided herein, be verified by such solicitor and agent.

Sec. 23c. Any dealer and broker upon the payment of a fee of twenty-five dollars (\$25), if and when duly registered, under the provisions of this Act, but not otherwise, may offer for sale and sell securities in Classes "A", "C", "D", and the Classes known as "Investment Trusts", and "Investment Contracts", as otherwise provided and prescribed in this Act.

Solicitors and agents appointed by an issuer, or dealer and broker, under the provisions of this Act, upon payment of a fee of five dollars (\$5) for each registration thereunder, if and when duly registered, but not otherwise, may offer for sale or sell securities in Classes "A", "C", "D", and the Classes known as "Investment Trusts" and "Investment Contracts", as otherwise provided and prescribed in this Act; provided that the maximum fee to be paid for the registration of all solicitors and agents by any one issuer, or registered dealer and broker, shall not exceed the sum of three hundred dollars (\$300). Any solicitor and agent severing his connection with, or any solicitor and agent having his connection severed by, an issuer, or dealer and broker, shall lose his right to sell or offer for sale securities under the registration theretofore granted, and such registration shall automatically become void.

Sec. 23d. The Secretary of State shall not issue any certificate or written evidence of registration as a dealer and broker, or solicitor and agent, under the provisions of this Act, to any person, firm or partnership, association or corporation, so registered. The finding of the Secretary of State that any person, firm or partnership, association, or corporation, may act as a dealer and broker, or solicitor and agent, within this state, shall take the form solely of entering the name in a suitable record for that purpose which shall be open to the public; and a finding of the Secretary of State that registration of a dealer and broker, or solicitor and agent, should not be granted, or that registration should be suspended or cancelled, or the rescission of such suspension or cancellation, shall be in the form of an order to that effect, which order shall be reduced to writing; shall state the grounds for refusal to register, for suspension, cancellation or rescission of a cancellation or suspension; and shall be signed by the Secretary of State. Such order shall also be noted upon the register or record kept by the Secretary of State for that purpose. Each registration under this Act, unless previously terminated, shall expire the 30th day of June in each year.

Sec. 23e. The registration of a dealer and broker may be refused, or any registration granted may be revoked after five (5) days' notice and opportunity for hearing given, by the Secretary of State if the Secretary of State shall determine that such applicant, or registrant so registered, or any officer, director, member or partner, manager, or trustee thereof:

(a) Has been convicted of a felony, or any misdemeanor of which an essential element is fraud;

(b) Has conducted or is about to conduct business in a fraudulent manner;

(c) Has made any misrepresentations or false statements to, or concealed any essential or material fact from, any person in the sale of a security to such person;

(d) Has failed to account to persons interested for all money and/or property received;

(e) Has not delivered, after a reasonable time, to persons entitled thereto, securities held or agreed to be delivered by the dealer and broker, as and when paid for and due to be delivered;

(f) Has made or is making misrepresentation of any essential or material fact to the Secretary of State, or has violated the provision of the laws of any foreign state regulating the sale of securities therein, or has violated the provision of this Act or any order, rule or regulation of the Secretary of State pertaining to the enforcement of this Act;

(g) Is insolvent;

(h) Is not of good business repute;

(i) Is selling or offering for sale securities through any solicitor and agent not registered in compliance with the provisions of this Act;

(j) Has been refused a license in any state, or that any license in any state theretofore granted the applicant or registrant, or any officer, director, member or partner, manager or trustee thereof has been cancelled, suspended or withdrawn for fraudulent conduct or violation of the law of such state regulating the sale of securities therein; or

(k) Is or has been using practices in the sale of securities that work or tend to work a fraud.

Sec. 23f. The registration of any solicitor and agent may be refused, or any registration granted may be revoked, after five (5) days' notice and opportunity for hearing given, by the Secretary of State if the Secretary of State determines that such applicant, or registrant so registered:

(a) Has made any misrepresentations or false statements to, or concealed any essential or material fact from, any person in the sale of a security to such person;

(b) Has made or is making misrepresentation of any essential or material fact to the Secretary of State or has violated the provision of the laws of any foreign state regulating the sale of securities therein, or has violated the provision of this Act, or any order, rule or regulation of the Secretary of State, pertaining to the enforcement of this Act;

(c) Has been convicted of a felony, or any misdemeanor of which fraud is an essential element;

(d) Has failed to account to any person or persons interested for all money and/or property received;

(e) Is not of good business repute;

(f) Is selling or offering securities for sale for any dealer and broker, or any issuer, not in compliance with the provision of the laws of any foreign state regulating the sale of securities therein, or this Act;

(g) Has been refused a license in any state, or that any license in any state theretofore granted the applicant or registrant, has been cancelled, suspended or withdrawn for fraudulent conduct or violation of the law of such state regulating the sale of securities therein; or

(h) Is or has been using practices in the sale of securities that work or tend to work a fraud.

Sec. 23g. The action of the Secretary of State in refusing to register any dealer and broker, or solicitor and agent, or any suspension or revocation order of the registration thereof, shall be subject to review in the Circuit Court of Sangamon County in the same manner and with the same rights as provided in Section 18 of this Act.

In no case shall the Secretary of State incur any official or personal liability by refusing to register any dealer and broker, or solicitor and agent, or for the suspension or cancellation of any registration under the provisions of this Act.

Sec. 23h. Whenever, under the provisions of this Act, the Secretary of State is authorized to conduct a hearing, the Secretary of State may require the applicant for registration or registrant, to give in detail and under oath such information as may be necessary to determine whether or not an applicant should be registered or a registration cancelled or suspended, and the Secretary of State shall, in such cases, have the power and authority to investigate and examine into the business and affairs of such dealer and broker, or solicitor and agent, and to administer oaths and by subpoena or other notice require persons to appear, submit to examination under oath, and to produce books, records, papers and files of such proceedings pertinent to and reasonably required to determine whether or not an applicant should be registered or a registration cancelled or suspended. Any Circuit Court of this state or any judge thereof, upon the application of the Secretary of State may in the discretion of such Circuit Court of this State or any judge thereof, compel the attendance of witnesses, the production of books, papers, accounts and documents and the giving of testimony before the Secretary of State by an attachment for contempt or otherwise in the same manner as production of evidence may be compelled by said court.

The fees of subpoenaed witnesses under this Act for attendance and travel shall be the same as fees of witnesses before the circuit courts of this state, such fees to be paid when the witness is excused from further attendance, provided, such witness is subpoenaed at the instance of the Secretary of State: And the disbursements made in payment of such fees shall be audited and paid in the same manner as are other expenses of the Secretary of State. Whenever a subpoena is issued at the instance of a complainant or defendant, the Secretary of State may require that the cost of service thereof and the fee of the witness shall be borne by the party at whose instance the witness is summoned, and the Secretary of State shall have power, in his discretion, to require a deposit to cover the cost of such service and witness fees and the payment of the legal witness fee and mileage to the witness when served with subpoena. A subpoena issued under the provisions of this Act shall be served in the same manner as a subpoena issued out of a court of record.

Sec. 23i. In addition to the penalties provided in this Act, the Secretary of State, when he shall have reasonable ground to believe the sales of securities by any dealer and broker, or solicitor and agent, under the provisions of this Act, will work or tend to work a fraud upon purchasers, or when such dealer and broker, or solicitor and agent, is selling securities in violation of, or not in compliance with, any of the provisions of this Act, may through the Attorney General without notice, apply for an injunction,

and any court of competent jurisdiction shall have power to restrain any dealer and broker, or solicitor and agent: insofar as applicable the provisions of Section eighteen (18) and paragraph one (1) of Section twenty-four (24) shall govern such action.

Section 3. Inasmuch as Section Twenty-three (23) of "An Act relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith," was recently held unconstitutional by the Supreme Court of Illinois and there is now no provision requiring registration of dealers, brokers, solicitors and agent, engaged in the business of selling securities, it is highly important that this situation be corrected without delay. Therefore an emergency exists, and this Act shall take effect upon its passage. (As amended by Acts approved July 2, 1925, June 26, 1929 and April 28, 1932.)

Sec. 24. (1) In case any statement or document submitted or filed in the office of the Secretary of State shall, in the judgment of the Secretary of State, in any material part thereof be inadequate, insufficient or not in compliance with this Act, or in case the basis, plan or scheme disclosed by such statements or documents, adopted or filed, would, in the judgment of the Secretary of State, work or tend to work a fraud upon purchasers, or if it shall be made to appear to the Secretary of State, by complaint, through investigation or otherwise, that the statements and documents filed with respect to any securities are false or deceptive in any material particular, or if it shall be made to appear to the Secretary of State that insolvency exists or that conditions with respect to any such securities have so changed that the further sale or offering for sale thereof would work or tend to work a fraud on purchasers thereof, or that any of the terms and provisions of this Act, have not been complied with, or if it shall appear to the Secretary of State by complaint, upon investigation or otherwise, that any securities have been sold or are being offered for sale without compliance with, or in violation of any of the provisions of this Act, the Secretary of State shall, in the name of the People of the State of Illinois, through the Attorney General, apply for an injunction in any court of competent jurisdiction to restrain the further sale or offering for sale of such securities; and the court shall have power to restrain the sale or offering for sale of such securities upon such application and may grant injunctions to enforce the provisions of this Act, in addition to the penalties and other remedies in this Act provided; the petitioner shall not be required to give bond in such proceedings and either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court.

(2) The Secretary of State shall also have the power at any time, after five days' notice to the seller of securities, when insolvency exists or when in the opinion of the Secretary of State the further sale of such securities would work or tend to work a fraud upon purchasers thereof, to suspend or cancel permission to sell such securities in this State, and thereafter the sale or offer for sale of such securities shall be unlawful, and may rescind such action when it shall be made to appear that further sales of such securities will not work or tend to work fraud upon purchasers, the order suspending or cancelling such authority to sell securities and any rescission thereof shall be reduced to writing and signed by the Secretary of State; any issuer, corporation or person aggrieved or interested in any such

suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this paragraph two (2) of this section shall be governed by the provisions of section 18 of this Act in so far as such provisions may be applied.

(3) In no case shall the Secretary of State incur any official or personal liability by instituting injunction or other proceedings, or by the suspension or cancellation of the right or authority to sell securities. (As amended by Act approved June 11, 1921.)

Sec. 25. The Secretary of State shall have the power and is hereby authorized to make all needful rules and regulations, and from time to time to alter, amend and supplement such rules and regulations as he may deem necessary to carry this Act into full force and effect; provided, however, that any party affected adversely by any order or ruling of the Secretary of State shall have a right of review like unto that specified in paragraph two (2) of section twenty-four (24) of this Act, and pending final decision on such review, and/or of the review and appeals authorized in sections eighteen (18) and twenty-four (24) of this Act, the acts, orders and rulings of the Secretary of State shall be and remain in full force and effect. The Secretary of State shall also have power to limit the charges and commissions of dealers, brokers, solicitors and agents, with respect to Class "D" securities, and to prescribe the time and manner of payment thereof. The Secretary of State may prescribe and furnish forms for all statements, documents and summaries required by this Act to be filed in his office, and such statements, documents and summaries shall follow substantially the forms so prescribed. All statements and documents and all other matters filed in the office of the Secretary of State under the provisions of this Act shall at all proper hours be available for public inspection. (As amended by Act approved July 2, 1925.)

Sec. 26. Before filing any statements required to be filed hereunder with reference to securities in Class "C" or in Class "D" the person so filing such statements shall pay in advance to the Secretary of State a fee of one-twentieth of one per cent of the amount of the securities to be offered for sale in this State, but in no case shall the fee be less than twenty-five dollars (\$25.00) or more than three hundred dollars (\$300.00).

Sec. 27. Repealed July 7, 1931. (See Section 9 of this Act.)

Sec. 28. Whenever in this Act copies of statements or other documents are required to be furnished to the Secretary of State for distribution, additional copies as requested by the Secretary of State, shall be supplied by the parties filing the original copies or by parties interested in the disposition of such securities.

Sec. 29. Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent offering for sale, selling, exchanging or otherwise dealing in securities or in margins or futures on securities, or making purported or pretended purchases or sales of securities without registration pursuant to and without full compliance with the provisions of section twenty-three (23) of this Act, and any owner, dealer, broker, and any officer, director or trustee of any

owner, dealer or broker, and any solicitor or agent, whether registered under section twenty-three (23) of this Act or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding ten thousand (\$10,000) dollars for the first offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925.)

Sec. 30. Any issuer or any owner of securities, or any officer, director, trustee, solicitor or agent thereof, whether registered under section twenty-three (23) or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of section five (5) of this Act, and except any securities specifically exempt in and by section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall for the first offense be punished by a fine in any sum not exceeding ten thousand (\$10,000) dollars, or, if a natural person, by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment in the discretion of the court. (As amended by Acts approved July 2, 1925 and July 7, 1931.)

Sec. 31. Any owner, dealer or broker, and any officer, director or trustee of any owner, dealer or broker, and any solicitor or agent, and any issuer of securities or any officer, director, trustee, solicitor or agent of any issuer of securities, who shall be guilty of a second or any subsequent offense as specified in sections twenty-nine (29) and thirty (30) of this Act, upon conviction thereof, shall be fined not exceeding twenty-five thousand (\$25,000) dollars for such second or subsequent offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Act approved July 2, 1925.)

Sec. 32. Any dealer, agent, solicitor or broker, who shall make any statement or representation not authorized by the issuer, or any statement or representation at variance with, or not reasonably predicated upon the statements and documents filed by the issuer in the office of the Secretary of State, shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in any sum not to exceed one thousand dollars (\$1,000.00) for the first offense, and not to exceed five thousand dollars (\$5,000.00) for the second or any subsequent offense, or imprisonment in the county jail not more than six months for the first offense, nor more than one year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the court.

Sec. 33. Any person signing any statement, list, inventory, balance sheet or other paper or document required by any provision of this Act to be verified or sworn to, knowing any representation therein contained to be false or untrue (and the depositing of any such statement or document

in the office of the Secretary of State shall be deemed prima facie evidence of knowledge of the falsity thereof or of any representation therein contained, and of the wilful signing of such statement or document), shall be deemed guilty of perjury and shall be subject to the penalties by the law of this State prescribed therefor.

Sec. 34. It shall be unlawful for any officer, director, trustee, solicitor, agent or broker of or for any issuer, knowing such issuer to be insolvent, to sell any securities issued by such issuer; and any such officer, director, trustee, solicitor, agent or broker who shall make any sale of any securities of and for any such issuer, and by reason of such insolvency of such issuer, the price paid for such securities or any part thereof shall be lost to the purchaser, shall be deemed guilty of embezzlement and upon conviction thereof shall be fined in a sum not less than one thousand dollars (\$1,000.00) nor more than ten thousand dollars (\$10,000.00) or may be imprisoned in the State penitentiary for not less than one year nor more than five years, or may be both fined and imprisoned, in the discretion of the court. For the purpose of this section, an issuer shall be deemed insolvent whenever the aggregate of its property shall not, at a fair valuation be sufficient in amount to pay its debts.

Sec. 35. Any person interested in securities in Class "D" may maintain in the name of the issuer an action at law or suit in chancery for the use of the issuer, against the solicitor, agent or broker of such issuer, jointly or severally, to recover of such solicitor, agent or broker all moneys in excess of 20% of the proceeds of the sales of securities made by such solicitor, agent or broker and not turned into the treasury of the issuer.

Sec. 36. It shall be unlawful for any officer, director, solicitor, broker or agent, to sell or offer for sale any securities in Class "D", in any other manner or form than specifically set forth in the information required to be filed in section 9 of this Act, and any offer or sale upon any other terms or conditions other than set forth, shall be considered prima facie evidence that such officer, director, trustee, solicitor or agent offered or sold same for the purpose of defrauding the investor to whom such security was offered or sold.

Sec. 37. (1) Every sale and contract of sale made in violation of any of the provisions of this Act shall be void at the election of the purchaser, and the seller of the securities so sold, the officers and directors of the seller, and each and every solicitor, agent or broker of or for such seller, who shall have knowingly performed any act or in any way furthered such sale, shall be jointly and severally liable, in an action at law or in equity, upon tender to the seller or in court of the securities sold, to the purchaser for the amount paid, the consideration given or the value thereof, together with his reasonable attorney's fees in any action brought for such recovery.

(2) In any action, civil or criminal, where the seller or issuer relies for his defense upon any of the exemptions provided for in this Act, the burden of proof to establish such exemption, shall be upon such issuer or seller.

(3) The Secretary of State shall have the power to make such investigations under this Act as he may deem proper and expedient, and to

refer any complaint, together with information relative thereto, to the proper officers of the county in which any violation may have occurred.

(4) For the purposes of this Act all persons, solicitors, agents, brokers, officers and directors of the seller, who shall sell or offer for sale securities in violation of the provisions of this Act, or who shall in any manner authorize, aid or assist in any unlawful sale or offering for sale, shall be deemed equally guilty, and may be tried and punished in the county in which said unlawful sale or offering for sale was made, or in the county in which the securities so sold or offered for sale, were delivered or proposed to be delivered to the purchaser thereof.

(5) In any prosecution, action, suit or proceeding before any of the several courts of this State based upon or arising out of or under the provisions of this Act, a certificate under the seal of State, duly signed by the Secretary of State, showing compliance or non-compliance with the provisions of the Illinois Securities Law, respecting the securities in question or respecting compliance or non-compliance with the provisions of the Act by any issuer, solicitor, agent, broker, dealer or owner, shall constitute prima facie evidence of such compliance or of such non-compliance with the provisions of this Act, as the case may be, and shall be admissible in evidence in any action at law or in equity to enforce the provisions of this Act. (As amended by Act approved June 11, 1921.)

Sec. 38. Nothing in this Act shall be construed to relieve corporations from making reports now or hereafter required by law to be made to the Secretary of State or paying the fees now or hereafter to be paid by corporations. This Act shall not be construed to repeal any law now in force regulating the organization of corporations in this State or the admission of any foreign corporation, but the provisions of this Act shall be construed to be additional to any provision regulating the organization of a corporation under the law of Illinois or the admission of a foreign corporation to do business in this State.

Sec. 39. If the issuer of any securities be a foreign corporation, and such issuer shall desire to make sales of such securities under the provisions of this Act, no statement or document relating to such sales shall be filed in the office of the Secretary of State until such foreign corporation has complied with the law regulating the admission of foreign corporations to transact business in this State.

Sec. 40. No prosecution for violation of any provision of this Act shall bar or be barred by any prosecution for the violation of any other provisions of this Act or of any other statute; but all prosecutions and all civil actions to recover money or for other purposes under this Act or based upon any provision of this Act must be commenced within five years after the commission of the act complained of.

Sec. 41. The invalidity of any section or provision of this Act shall not affect the remainder thereof.

Sec. 42. An Act entitled, "An Act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the State of Illinois, by any dealer, firm, company, association or corporation, foreign or domestic, by requiring an inspection of such stocks, bonds, or other securities and an inspection of the business of such persons, firms,

companies, associations or corporations, including dealers and agents, and such regulation and supervision of the business of said persons, firms, companies, associations or corporations, including dealers and agents, as may be necessary to prevent fraud in the sale within the State, of any stocks, bonds or other securities, and providing penalties for the violation thereof", filed June 29, 1917, in effect January 1, 1918, is hereby repealed, and all other Acts and parts of Acts insofar as they conflict with this Act are hereby repealed.

It shall hereafter be unlawful for any person or corporation to exhibit or in any wise make use of any certificate issued by the Secretary of State under any of the provisions of the Act hereby repealed for the purpose of making or in endeavoring to make any sale of securities.

This repeal shall not affect any contract rights which have arisen under the law hereby repealed, or under the administration thereof, nor invalidate any deposits in escrow or contracts entered into by the issuer of securities for the benefit or security of any person. The Secretary of State shall in all such cases proceed in all respects touching such contracts and escrows as if such law had not been repealed.

Sec. 43. Whereas, an emergency exists, therefore this Act shall be in force and effect from and after its passage and approval.

CASES RELATING TO THE ILLINOIS SECURITIES LAW DECIDED BY THE COURTS OF ILLINOIS.

Actions:

1. Mandamus—
People v. Emmerson, 294 Ill. 219.
2. Injunctions—
Fidelity Inv. Assn. v. Emmerson, 235 Ill. App. 9, reversed, 318 Ill., 548.
3. Assumpsit—
Stewart v. Brady, 300 Ill. 425.
4. Petitions in nature of mandamus—
People v. Emmerson, 294 Ill. 219.
5. Conspiracy—
People v. Glassberg, 326 Ill. 379.
Collins v. Moreland, 242 Ill. App. 626.

Attorney's Fees:

- Stewart v. Brady*, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.

Certificate of Secretary of State:

- People v. Love*, 310 Ill. 558.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. Gillett, 243 Ill. App. 41.

Charging Offense:

- People v. Hill Top Metals Mining Co.*, 300 Ill. 564.
People v. Love, 310 Ill. 558.
People v. Revesz, 229 Ill. App. 616.
People v. Curtis, 233 Ill. App. 13.
People v. Glassberg, 239 Ill. App. 668.
People v. Whitmer, 243 Ill. App. 244.

Common Law Trusts:

- Kinross v. Cooper*, 224 Ill. App. 111.
People v. Hulbert, 237 Ill. App. 632.
Sims v. American Food Products Co., 243 Ill. App. 323.

Conspiracy:

- Collins v. Moreland*, 242 Ill. App. 626.
People v. Glassberg, 326 Ill. 379.

Constitutionality of Act:

- Stewart v. Brady*, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. Lee, 311 Ill. 552.
Jochum v. Thompson Ross & Co., 345 Ill. 587.
People v. Federal Surety Co., 336 Ill. 472.

Co-operative Associations:

- Morrison v. Farmers Elevator Co.*, 319 Ill. 372.

Creditors:

- Howard v. Corn Belt Farmers Co-operative Assn.*, 225 Ill. App. 449.

Denials:

- Fidelity Inv. Assn. v. Emmerson*, 318 Ill. 548.

Due Process of Law:

- Stewart v. Brady*, 300 Ill. 425.
Morrison v. Farmers Elevator Co., 319 Ill. 372.

Emergency:

- Graham v. Dye*, 308 Ill. 283.

Evidence:

- Morrison v. Farmers Elevator Co.*, 319 Ill. 372.
Trakas v. Cokins, 224 Ill. App. 327.
Prot v. Chartrand, 237 Ill. App. 117.

Exemptions:

- Stewart v. Brady*, 300 Ill. 425.
Bunge v. Kirchoff, 251 Ill. App. 119.
Jaffe v. Goldner, 251 Ill. App. 188.
Dobal v. Guardian Finance Corp., 251 Ill. App. 220.
People v. Perlowski, 251 Ill. App. 506.
Orr v. Croissant, 253 Ill. App. 396.
Laursen v. Memering & Co., 260 Ill. App. 515.
Hacker v. Goldberg, 263 Ill. App. 73.

Fraud:

- McRoberts v. Combination Fountain Co.*, 317 Ill. 165.
Wehrwein v. Eastman Springs Beverage Co., 238 Ill. App. 443.

Instructions to Jury:

- People v. Revesz*, 229 Ill. App. 616.

Investment Contracts:

- Dobal v. Guardian Finance Corp.*, 251 Ill. App. 220.
Prohaska v. The Hemmer-Miller Dev. Co., 256 Ill. App. 220.

Liability of Officers:

- Wehrwein v. Eastman Springs Beverage Co.*, 238 Ill. App. 443.
Dixmoor Golf Club v. Evans, et al, 325 Ill. 612.
Abrams v. Love, 254 Ill. App. 428.
Laursen v. Memering & Co., 260 Ill. App. 515.

Notes Given for Securities:

- Kinross v. Cooper*, 224 Ill. App. 111.
McGregor v. Lamont, 225 Ill. App. 451.
Edelbrock v. Rexroth, 232 Ill. App. 646.

Participation Certificate:

- Wood v. Meyer*, 240 Ill. App. 100.

Pleadings:

- Stewart v. Brady*, 300 Ill. 425.
Trakas v. Cokins, 224 Ill. App. 327.
Liberty State Bank v. Anglar, 231 Ill. App. 498.
People v. Friedman, et al, 321 Ill. 572.
Abrams v. Love, 254 Ill. App. 428.

Purpose of Act:

- People v. Lee*, 311 Ill. 552.

Review:

- Fidelity Inv. Assn. v. Emmerson*, 235 Ill. App. 518.
Fidelity Inv. Assn. v. Emmerson, 318 Ill. 548.

Sale by Owner:

- Snitzler-Warner Co. v. Stein*, 234 Ill. App. 392.
Fuchs v. Daskal, 244 Ill. App. 107.

Tender:

- Morrison v. Farmers Elevator Co.*, 319 Ill. 372.
Puntenney v. Mantle, 234 Ill. App. 137.
Weber v. Rupp, 235 Ill. App. 132.
Puntenney v. Wildeman, 318 Ill. 139, affirming 234 Ill. App. 547.

Terms Defined:

1. "Filed"—
People v. Glassberg, 326 Ill. 379.
2. "Sale"—
Kyteen Oil & Gas Co. v. Parks, 227 Ill. App. 95.
People v. Revesz, 229 Ill. App. 616.
People v. Gillett, 243 Ill. App. 41.
Illinois-Indiana Fair Association v. Phillips, 241 Ill. App. 454.
3. "Offering for Sale"—
People v. Hill Top Metals Mining Co., 300 Ill. 564.

4. "Solicitor"—
People v. Curtis, 233 Ill. App. 13.
5. "Speculative"—
Stewart v. Brady, 300 Ill. 425.
6. "Issuer" and "Seller"—
Abrams v. Love, 254 Ill. App. 428.
7. "Re-sale"—
Jochum v. Thompson Ross & Co., 345 Ill. 587.
8. "Common Stock"—
Adams v. Stratton, 265 Ill. App. 144.

Title of Act:

Stewart v. Brady, 300 Ill. 425.

Void—Voidable:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
Puntenney v. Wildeman, 318 Ill. 139.
Weber v. Rupp, 235 Ill. App. 132.
Wood v. Meyer, 240 Ill. App. 100.
Forsyth v. Kingsbury, 242 Ill. App. 646.
Perkins v. Dale, 240 Ill. App. 20.
Duke v. Olson, 240 Ill. App. 198.
Caldwell v. Cole, 326 Ill. 502.
Rudolph-Christy Casket Co. v. Tancl, 244 Ill. App. 314.

Voting Rights of Stockholders:

People ex rel. The Watseka Telephone Co. v. Emmerson, 302 Ill. 300.

Witnesses:

People v. Love, 310 Ill. 558.

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THE ILLINOIS SECURITIES LAW

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THE ILLINOIS SECURITIES LAW

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- § 2. Words and phrases defined.
- § 3. Division and classification of securities.
- § 4A. Class "A" securities defined.
- § 4B. Secretary of State given power over Class "A" securities and sales thereof.
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- § 14. Repealed. (April 28, 1932.)
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- § 18. Circuit Court of Sangamon County given jurisdiction to review actions of Secretary of State with right of appeal by either party.
- § 19. Inducements made to procure filing to be reduced to writing.
- § 20. Supplemental statements to be filed.
- § 21. Advertisements (See also Subdivision (7) (e) of Section 4.)
- § 22. Secretary of State to mail copy of summary statements to any one requesting same.
- § 23. Registration of dealers, brokers, solicitors and agents.
- § 23a. Form of application for dealers or brokers.
- § 23b. Form of application for solicitors and agents.
- § 23c. Fees for registration of dealers, brokers, solicitors and agents.
- § 23d. No certificate of registration to be issued to dealers, brokers, solicitors and agents. Record of registrations and orders of cancellations, etc. Date of expiration of registrations.
- § 23e. Grounds for refusal to register or for cancellation of registrations of dealers or brokers.
- § 23f. Grounds for refusal to register or for cancellation of registrations of solicitors and agents.
- § 23g. Review of Secretary of State, action in refusing to register or in cancelling registrations of dealers, brokers, solicitors and agents.
- § 23h. Hearings in connection with registrations of dealers, brokers, solicitors and agents or cancellations of same.
- § 23i. Injunctions regarding dealers, brokers, solicitors and agents.
- § 24. Injunctions to prevent sales—and to enforce provisions of the Act—power of Secretary of State to suspend or cancel permission to sell securities.

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- § 25. Rules and regulations by Secretary of State—right of review—limitation of charges and commissions — Secretary of State may prescribe and furnish form—documents filed in office of Secretary of State open to inspection of the public.
- § 26. Fees—(see also Section 23.)
- § 27. Repealed. (July 7, 1931).
- § 28. Additional copies of statements to be submitted on request of the Secretary of State.
- § 29. Broker, agent, etc., offering to sell securities without compliance with Act guilty of a misdemeanor—penalty.
- § 30. Issuer, etc., offering to sell securities without compliance guilty of a misdemeanor—penalty.
- § 31. Issuer, broker, agent, etc., guilty of a second or subsequent offense—penalty.
- § 32. False statements made by broker, etc., not authorized by issuer guilty of a misdemeanor—penalty.
- § 33. Signing any statement, etc., knowing same to be false is prima facie evidence of knowledge of falsity—perjury—penalty.
- § 34. Sale of securities with knowledge of the insolvency of the issuer makes party selling same guilty of embezzlement—penalty.
- § 35. Any person interested may maintain action to recover moneys not paid to issuer.
- § 36. Sale contrary to information filed, or on other terms is prima facie evidence of fraud.
- § 37. Sales contrary to Act void—liability to the purchaser for the amount paid with reasonable attorney's fees in law or equity. Burden of proof to establish exemption rests upon issuer or seller in all civil and criminal actions—violations to be referred to proper officers for prosecution. Solicitors, agents, brokers, officers, directors and all persons who shall sell or offer for sale securities or aid or assist therein deemed equally guilty and may be punished in county in which offer or sale was made or in county of delivery. Certificate of compliance or non-compliance with provisions by the Secretary of State shall constitute prima facie evidence and shall be admissible in evidence in any action at law or in equity.
- § 38. Act does not relieve corporations from making reports as required to be made under other existing laws.
- § 39. Foreign corporations desiring to sell securities must comply with the law regulating admission of such corporations.
- § 40. Prosecutions under Act to be brought within five years.
- § 41. Invalidity of one provision or section does not affect remainder of Act.
- § 42. Acts repealed—certificate or evidence of compliance with law repealed not to be exhibited—contractual obligations not impaired.
- § 43. Emergency.

(Approved June 10, 1919, as Amended.)

AN ACT relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith.

Section 1. Be it enacted by the People of the State of Illinois, represented in the General Assembly: This Act shall be known as "The Illinois Securities Law."

Sec. 2. The words and phrases used herein shall, unless the context otherwise indicates, have the following meaning:

(1) The word "securities" shall mean and include stock, treasury stock, bonds, debentures, investment contracts, notes, evidences of indebtedness, participation certificates, certificates of shares or interest, preorganization certificates and preorganization subscriptions, certificates evidencing shares of or interest in trust estates or associations, profit sharing agreements or certificates; or any certificate, contract or instrument whatsoever, representing or constituting evidence of,

or secured by, title to or interest in, or any lien or charge upon, the capital or any property or assets of the Issuer thereof, and any oil, gas or mining lease, royalty, or deed, and interest, units or shares in any such lease, royalty, or deed, income contracts, annuity contracts unless issued by insurance companies, bankers shares, trustees shares, investment participating bonds, investment trust debentures, units, shares, bonds, debentures and certificates in, for, respecting or based upon any form of securities or collateral, subscriptions and contracts covering or pertaining to the sale and/or purchase of securities on the installment plan, and any other instrument commonly known as a security, provided, however, that any contract or policy issued by an insurance company, which is under the supervision of the Department of Trade and Commerce of this State, shall not be deemed a security or subject to any of the provisions of this Act.

(2) The word "issuer" shall include every person and every company, trust, partnership or association incorporated or unincorporated heretofore or hereafter formed which proposes to issue, which shall have issued or which shall hereafter issue any security. Any natural person who acts as a promoter for and on behalf of a corporation, trust or unincorporated association or partnership of any kind to be formed shall be deemed to be an issuer. As used in this Act the term "trust" shall be deemed to include a common law trust, and all other trusts, except a trust created or appointed under or by virtue of a last will and testament or by a court of law or equity or any charitable trust.

(3) The word "file" or "filing" within the meaning of this Act, shall mean the endorsement thereof by the Secretary of State on any statement or document received of the word "filed" followed by the month, day, year, and name of Secretary of State, for the purpose of showing that, in his opinion, the issuer, solicitor, agent, broker, dealer or owner has complied with the provisions of this Act, and no statement, document or other instrument deposited with the Secretary of State shall be treated or considered as filed unless and until so endorsed.

(4) The terms "sale", "offer for sale" or "sell" shall include every disposition, or attempt to dispose, of a security or interest in a security for value. The term "sale" means and includes contracts and agreements whereby securities are sold, traded or exchanged for money, property or thing of value, or any transfer or agreement to transfer, in trust or otherwise. Any security given or delivered with, or as a bonus on account of, any purchase of securities or other thing of value, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The term "sell" means any act by which a sale is made and the term "sale" or "offer for sale" shall include a subscription, an option of sale, a solicitation of sale, an attempt to sell, or an offer to sell, directly or by an agent, by a circular, letter or advertising, or otherwise; provided, however, that nothing herein shall limit or diminish the full meaning of the terms "sale", "sell" or "offer for sale" as used by or accepted in courts of law or equity. The terms "sale", "offer for sale" or "sell" shall not include the execution of orders for purchase of securities by a licensed dealer or broker provided such dealer or broker acts as agent for the pur-

chaser, has no direct interest in the sale or distribution of the security ordered, receives no commission, profit or other compensation, other than the commissions involved in the purchase and sale of the security, and delivers to the purchaser written confirmation of the order which clearly itemizes his commission, profit, or other compensation.

(5) The terms "dealer" or "broker" shall include every person and every company, firm, trust, partnership or association, incorporated or unincorporated, other than a solicitor or issuer, that engages either wholly or in part in the business of selling, offering for sale, negotiating for the sale of or otherwise dealing in any securities issued by another or by others, or underwriting, purchasing or otherwise acquiring such securities from another for the purpose of reselling them or of offering them for sale, or offering, buying, selling or otherwise dealing or trading in securities as a broker, agent, or principal, or who deals in futures or differences in market quotations of prices or values of any securities or accepts margins on purchases or sales or pretended purchases or sales of such securities.

(6) The terms "solicitor" and "agent" shall include every natural person, other than dealer, broker or issuer, employed or appointed or authorized by a dealer, broker or issuer, to sell securities in any manner in this State, or who takes subscriptions for the sale of any securities.

(7) "Net profits" of a property, business or industry covering any given period, for the purpose of this Act, shall be the amount remaining after deducting from the gross revenue of such property, business or industry, during such period, all operating expenses, including rentals, insurance charges, actual expenditures for ordinary repairs and maintenance, reasonable charge for depreciation and depletion, and all other proper charges. (As amended by Acts approved June 11, 1921, July 2, 1925 and July 1, 1933.)

Sec. 3. For the purpose of this Act, securities are divided into six classes, as follows:

(1) Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";

(2) Securities, the inherent qualities of which, or in the nature of one or both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";

(3) Securities based on established income, which shall be known as securities in Class "C";

(4) Securities which shall be a class known as "Investment Contracts";

(5) Securities or organizations known as "Investment Trusts" as hereinafter in Sec. 7a defined;

(6) Securities based on prospective income, which shall be known as Securities in Class "D". (As amended by Acts approved July 7, 1931 and July 1, 1933.)

Sec 4. A. Securities in Class "A" shall comprise securities :

(1) Issued or guaranteed by a government, or by any state, province or political subdivision thereof, having power of taxation or assessment for the purpose of paying such obligation, or by any agency of the government of the United States;

(2) Issued by any National Bank, or by any State Bank or trust company of this State, or by any building and loan association of this State, *provided, however*, that the foregoing shall apply only to the capital stock or shares, or obligations to pay, of such bank, trust company, or building and loan association;

(3) Issued or guaranteed by any corporation operating a railroad or other public utility in the United States or any state thereof or in the Dominion of Canada or any province thereof wherein there is or was at the time of issuance thereof in effect any law regulating such utilities and the issue of securities by such corporation, provided, however, that as to such securities, other than those regulated by the Interstate Commerce Commission, the same shall not be exempt under the provisions of this subdivision (3), unless more than fifty (50) per centum of the total revenue of the issuer for its last fiscal year was derived from the operation of a railroad or public utility property to which the issuer has title and which is situated within the jurisdiction of the commission or commissions having such regulatory power;

(4) (a) While listed and dealt in on the New York, Boston or Chicago Stock Exchange, or Board of Trade of the City of Chicago or the Chicago Curb Exchange Association, respectively, pursuant to official authorization by such exchanges, or Board of Trade, respectively, such authorization to be predicated upon the furnishing to, and approval by, such exchanges or Board of Trade, at the time of listing, and at such other times as may be required by such exchanges or Board of Trade, but at least annually, of a statement of the assets and liabilities, an income or profit and loss statement, and analysis of surplus account, of the issuer, prepared and certified to, by a certified public accountant or public accountant, duly licensed as such, in this, or any other, state;

(b) The Secretary of State shall have the power and authority at any time after fifteen (15) days' notice, and opportunity for hearing given to the exchange, Board of Trade, and issuer of the security involved, by registered mail, to withdraw the exemption hereinabove set forth, with reference to any such security listed on one or more of the exchanges or Board of Trade, in this subdivision (4) set forth, when in his opinion, the further sale of the security would work a fraud. Thereafter such security shall not be entitled to the benefit of the exemption of this subdivision (4) except upon the further written order of the Secretary of State. An order of revocation of the exemption as to such security and any rescission thereof, shall be reduced to writing and signed by the Secretary of State. A copy of such order shall be forwarded immediately by the Secretary of State to the exchange, Board of Trade, and issuer of the security involved.

(5) Issued and outstanding in the hands of the public prior to June 10, 1919, of corporations whose business has been continuously in operation since that date, provided, that financial statements of the

issuing corporation appeared in any standard manual of securities for the year 1920, approved by the Secretary of State, or provided, that quotations of such securities have appeared in tabulated market reports published as news items, and not as advertising, in a daily newspaper of general circulation published in the English language, in any city of two hundred thousand inhabitants or over in the State of Illinois, at least twelve times in each of the years 1919 and 1920, respectively, and at least twelve times during the twelve calendar months next preceding the offering for sale thereof;

(6) Issued by any corporation organized not for pecuniary profit when such corporation is organized exclusively for agricultural, educational, benevolent, fraternal, charitable and/or reformatory purposes;

(7) Being notes or bonds secured by a first mortgage lien upon the fee of real property or bridges over rivers or other bodies of water, in any state or territory of the United States or in the Dominion of Canada:

(a) When the mortgage is a first mortgage lien upon the fee of real property and when the aggregate face value of such notes or bonds (but not including interest notes or coupons) secured thereby does not exceed fifty (50) per centum of the fair market value of such fee on real property on the date of issue of such securities;

(b) When the aggregate face value of the notes or bonds (but not including interest notes or coupons) secured by a first mortgage lien upon fee of real property and buildings or bridges over rivers or other bodies of water, in good faith, forthwith to be erected thereon, according to the terms of the mortgage, does not on the date of issue of such securities exceed fifty (50) per centum of the fair market value of such fee of real property and buildings or bridges over rivers or other bodies of water;

(c) (1) When the notes or bond (but not including interest notes or coupons) are secured by a first mortgage lien upon fee of real property and buildings or bridges over rivers or other bodies of water, in good faith, forthwith to be erected thereon, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the face thereof a legend, in red letters not less than one-half inch in height stating that the note or bond is against a building or bridge not yet erected;

(2) When any of the notes or bonds hereinabove in this subdivision (7) set forth have been subordinated then all such notes or bonds so subordinated shall bear across the face thereof a legend, in red letters, not less than one-half inch in height, stating that the mortgage notes or bonds are subordinated;

(d) Before selling or offering for sale securities coming within the provisions of this subdivision (7), the issuer, owner, or other person selling or offering to sell such securities, shall file in the office of the Secretary of State an inventory, in such detail as the Secretary of State may require, of the property by which such securities are secured. Such inventory shall be accompanied by an appraisement made by a qualified person or persons, provided that such inventory and appraisement shall not be required in any case where the notes or bonds secured by the mortgage lien shall not exceed twenty-five thousand (\$25,000) dollars. The person or persons making such appraisement shall state

therein the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of value is predicated. Such appraisal shall be verified by the oath of the person or persons making the same, and the cost of such appraisal shall be borne by the applicant. The Secretary of State shall make such regulations and prescribe such forms for the filing of the inventory and appraisements as he may deem necessary for the purpose of this sub-division (7). The Secretary of State shall have the power and authority to examine such inventory and appraisal and if the information contained therein shall be found insufficient, the Secretary of State may ask for such additional information as may be deemed necessary, or to make or cause to be made an investigation respecting the same, provided that the cost of such investigation shall be borne by the applicant. In determining whether or not any inventory and appraisal hereunder shall be filed, the Secretary of State in arriving at what constitutes the fair market value, as used in this subdivision (7), may take into consideration the actual cost of the land and improvements thereon. If, upon an examination and investigation of the inventory and appraisal, the Secretary of State is of the opinion that the aggregate face value of the notes or bonds, covered by such inventory and appraisal, exceeds the percentage, in this sub-division (7) provided for, he shall refuse to file such inventory and appraisal.

The issuer, owner or other person selling or offering to sell securities coming within the provisions of this sub-division (7), shall submit to the Secretary of State for approval and filing the trust deed, indenture, or other instrument under the terms of which such notes or bonds have been or shall be issued.

(e) Except as to advertisements appearing in newspapers, magazines, or periodicals, no issuer, owner, dealer or broker, solicitor and agent, or other person shall in this State issue, circulate, or publish any advertising matter in connection with the sale of any security coming within the provisions of this sub-division (7), unless a copy thereof shall have been submitted to, and approved by, the Secretary of State, except that lists and quotations of such securities may be published without comment. Such advertising matter shall not use the words "To be listed on a Security Exchange", or any such similar phrase, unless an application for listing has actually been approved by a security exchange. The Secretary of State shall have the power and authority to prescribe the form of the advertising matter and he may require that such advertising matter contain additional information from time to time in order that prospective purchasers of a security may be fully advised as to the true condition of the issuer of such security. No issuer, owner, dealer or broker, solicitor and agent, or other person, shall in this State circulate or publish such advertising matter, or make any representation relating to such securities until the inventory and appraisal and trust deed or indenture have been filed by the Secretary of State;

(f) As to notes or bonds coming within (b) of this subdivision (7), the Secretary of State may require that the capital to be obtained

by the sale of such securities be held intact, or so much or such portion thereof as may, in the opinion of the Secretary of State, be necessary to prevent loss of such capital or fraud upon the purchasers of such securities, and for such purpose take bond to the People of the State of Illinois for the use and benefit of such purchasers with sufficient sureties, or may accept other safeguards in lieu thereof;

(8) Being a note secured by a first mortgage upon tangible personal property, when such mortgage is made, assigned, sold, transferred and delivered with such note or other written obligation, secured by such mortgage, either to, or for the benefit of, the purchaser or lender;

(9) Evidencing indebtedness due under any contract made in pursuance to the provisions of any statute of any state of the United States providing for the acquisition of personal property under conditional sale contract;

(10) Being negotiable promissory notes given for full value and for the sole purpose of evidencing or extending the time of payment of the price of goods, wares or merchandise purchased by the issuer of such notes in the ordinary course of business, and promissory notes or commercial paper running not more than six months from the date of issue, and shall be issued within three months after the date of sale, provided, however, that no provision for renewal is contained in such promissory notes or commercial paper;

(11) Being subscriptions for or sales of shares of the capital stock of a corporation prior to the incorporation thereof under the laws of the State of Illinois, when no expense is incurred, or no commission, compensation or remuneration is paid or given for or in connection with the sale or disposition of such securities, provided the number of such subscribers shall not exceed twenty-five (25);

(12) Bonds or notes secured by lien on freight and/or passenger vessels shown by policies of marine insurance taken out in responsible companies to be of value, after deducting any or all other indebtedness secured by prior lien, of not less than 125% of the par amount of such bonds or notes;

(13) Being interest-bearing certificates which entitle the holder thereof to a beneficial interest to the extent of the principal sum of said certificates, with interest at the rate specified therein, in the proceeds and avails of the deposit with a trust company organized and existing under and by virtue of "An Act to provide for and regulate the administration of trusts by trust companies," approved June 15, 1887, and amendments thereto, of Local Improvement Bonds, and Vouchers, issued under authority of "An Act concerning Local Improvements" approved June 14, 1897, and amendments thereto, by Illinois municipal corporations having a population of not less than twenty thousand inhabitants according to the last United States or state census, to the extent of not less than one hundred ten per centum of the outstanding interest bearing certificates.

B. Except as to securities issued or guaranteed by the United States Government or any agency thereof, and the State of Illinois or

political subdivisions thereof, securities of a railroad or public utility regulated by the Interstate Commerce Commission or the Illinois Commerce Commission, and securities coming within the provisions of subdivisions (2) and (4) of Paragraph A of this Section 4, if it shall appear that any securities described in this Section 4 may be fraudulent or that the methods of their sale may be unfair, inequitable, or fraudulent, the Secretary of State shall require the person issuing or selling the same to file a verified statement with him, giving such information concerning the securities and the issuer and the methods of sale of such securities as may be necessary to enable the Secretary of State to make a finding.

If, within a reasonable time fixed by the Secretary of State, such information is not submitted, or if, from the information submitted and such other information as he may have, the Secretary of State is unable to determine that the securities are not fraudulent and that the methods of their sale are not unfair, inequitable, or fraudulent, he may suspend the right to sell such securities under the provisions of this Section 4 and shall give notice thereof, together with reasons therefor, to the parties affected by such order. Within sixty days after such suspension, any interested party may apply in writing to the Secretary of State for an order revoking such suspension. After application for such order has been filed, the Secretary of State shall make an investigation to determine whether the securities are fraudulent and whether the methods of their sale are unfair, inequitable, or fraudulent and may require the applicant to submit such further information relative to the securities and the issuer thereof and the methods of their sale as may be necessary to enable him to make a finding. The expense reasonably attributable to such investigation shall be paid by the applicant. If the Secretary of State shall find that the securities are fraudulent or are not such as are entitled to an exception under this Section 4, he shall by order prohibit the further sale thereof. If the Secretary of State shall find that the methods of their sale are unfair, inequitable, or fraudulent, he shall require their discontinuance.

Unless the Secretary of State shall find that such securities are fraudulent or are not entitled to be sold under this Section 4 or that the methods of their sale are unfair, inequitable, or fraudulent or that information requested was not furnished or that the information submitted fails to establish the contrary, he shall by order revoke the suspension herein referred to and thereafter such securities may be sold under the provisions of this Section 4. If within the time limited herein no application is made for an order revoking such suspension, or if the Secretary of State shall by order refuse to revoke such suspension, or shall prohibit the sale of such securities, no further sales of such securities may be made under the provisions of this Section 4.

Except as above provided, and subject to the provisions of this Act, securities in Class "A" may be sold or offered for sale in this State, without the filing of any statement in the office of the Secretary of State. (As amended by Acts approved June 11, 1921, July 2, 1925, June 14, June 21 and June 24, 1929, July 7, 1931 and July 1, 1933.)

Sec. 5. Securities in Class "B", being exempted sales, shall include:

(1) The sale in good faith and with no intent to defraud of any security by or on behalf of a vendor who is not an issuer, or underwriter thereof, or a dealer or broker, and who, being a bona fide owner of such security, disposes of his own property for his own account and such sale is not made directly or indirectly, for the benefit of the issuer or an underwriter of such security, or for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provisions of this Act;

(2) Capital stock of a corporation when sold or distributed by it among its stockholders without the payment of any commission or expenses to agents, solicitors or brokers, and without incurring any liability for any expenses whatsoever, in connection with the distribution thereof;

(3) Securities when sold to any bank, trust company or insurance company or association organized under the banking or insurance laws of this State or of the United States, or doing business in this State under the supervision of the Department of Trade and Commerce; or of the Auditor of Public Accounts; or to any building and loan association organized and doing business under the laws of this State, or any public sinking fund trustees;

(4) Securities when sold to any corporation, or association engaged in the business of purchasing or holding securities, or to any dealer or broker actually engaged in buying and selling securities as a business;

(5) Securities when sold or offered for sale at any judicial, executor's or administrator's sale, or at any sale by a receiver or trustee in insolvency or bankruptcy, pursuant to authority by any court of competent jurisdiction, or at a public sale by auction held at an advertised time and place.

(6) The issuance of securities to the security holders or creditors of any corporation, partnership, trust, trustee or trustees, person, firm or association, or to such corporation, partnership, trust, trustee or trustees, person, firm or association, in the process of a bona fide reorganization, recapitalization or refinancing of the business or property of such corporation, partnership, trust, trustee or trustees, person, firm or association, either in exchange for the securities of such security holders or claims of such creditors or other claimant, or partly for cash and partly in exchange for securities or claims of such security holders, creditors, or other claimant, including the issuance and transfer of securities in trust, or for the benefit of, such security holders, creditors, or other claimant, in connection with any such reorganization, recapitalization, or refinancing.

Except as above provided, securities when disposed of by the persons and in the manner provided by this Section, shall not be subject to the provisions of this Act in such transactions; provided, however, that such securities shall not be resold, except as is in this

section provided, without compliance with the provisions of this Act. (As amended by Acts approved June 11, 1921, July 7, 1931 and July 1, 1933.)

Sec. 6. Securities in Class "C" shall comprise the following:

Those issued by a person, corporation, firm, trust, partnership or association owning a property, business or industry which has been in continuous operation not less than two years and which has shown during a period of not less than two years and not more than ten years next prior to a date not more than six months preceding the filing of the statements herein provided for, average annual net profits, exclusive of all prior charges, as follows:

(1) In the case of interest bearing securities, not less than one and one-half times the annual interest charge thereon and upon all other outstanding interest bearing obligations of equal rank;

(2) In the case of preferred stock, not less than one and one-half times the annual dividend on such preferred stock and on all other outstanding stock of equal rank;

(3) In the case of common stock, not less than 3% per annum upon the price at which same is or is to be offered, and on all other outstanding common stock.

In addition to the provisions of Sections 17 and 24 of this Act and not withstanding the fact that the securities, for which statements are submitted to the Secretary of State for filing under the provisions of Sections 7 and 20 of this Act, meet the requirements of this Section 6, the Secretary of State shall have the power and authority to refuse to file any such statements where, at the time of the filing of the statements hereinabove set forth, the financial condition of the issuer is unsound, or there are other conditions affecting the soundness of the security, so that the sale or offer for sale of such securities would work or tend to work a fraud.

In any case where an application for the qualification of Class "C" securities states that interest bearing securities, preferred stock and common stock, or any combination thereof, is now or will be outstanding at the completion of the financing, the requirements on obligations prior to the securities for which statements are submitted to the Secretary of State, shall be one times, rather than one and one-half times, the interest or dividend rate, as the case may be. (As amended by Acts approved June 11, 1921, July 7, 1931 and July 1, 1933.)

Sec. 6a. Securities of the class known as "Investment Contracts" shall comprise the following:

Investment contracts, or annuity contracts, or installment investment contracts, or installment investment certificates, or installment participation certificates, or installment investment bonds, or securities of like kind, which contemplate that the issuer shall pay or deliver, or whereby the issuer agrees to pay or deliver, either absolutely or conditionally, to the purchaser or holder of the contract, certificate, bond or like security, a sum of money at a future time, either with or without interest, in consideration of a payment or payments made or contemplated to be made by such purchaser or holder, which securities are hereinafter referred to as investment contracts, provided the issuer shall deposit and maintain with the Secretary of State of this State,

for the benefit of the holders of such investment contracts, a deposit of securities in which life insurance companies of this State are permitted to invest their funds under Section 1 of "An Act to regulate the investment of the funds and the real estate holdings of life insurance companies", approved May 20, 1907, in force July 1, 1907, as amended by Act approved February 10, 1932, in an amount not less than fifty thousand dollars (\$50,000), and at no time less than the issuer's current contract liability on all such outstanding investment contracts as defined therein, hereafter sold in the State of Illinois. The State Treasurer of this State shall hold as custodian for the Secretary of State, the securities deposited with the Secretary of State for the benefit of the holders of the investment contracts coming within the provisions of this Section 6a.

Securities deposited may be withdrawn at any time by the issuer at its option whenever other securities of like character are deposited in equivalent amount with the Secretary of State of this State in substitution therefor, or to the extent of any excess over the aggregate amount of the issuer's said current contract liability on all such outstanding investment contracts hereafter sold in the State of Illinois, provided only that the amount of said deposit shall not be reduced by such withdrawal below \$50,000 unless the issuer has ceased to sell the investment contracts for which the deposit is maintained and no longer has authority to sell the same in this State. The Secretary of State of this State shall permit a reduction of such deposit by withdrawal of securities as herein provided upon the filing by the issuer of a proper affidavit showing that the amount of such deposit is in excess of the requirements of this Section. Upon discharge in full of all liabilities on all investment contracts hereafter sold in the State of Illinois and for which such deposit is maintained, the issuer shall be entitled to a release and return of the securities so deposited. The issuer making such deposit shall be entitled to collect and receive the income and/or payments made on securities deposited; provided, however, that the amounts unpaid on deposited securities shall at no time be less than the minimum amount required to be deposited hereunder.

The Secretary of State shall at least annually, and oftener if he may deem it proper, appoint a disinterested qualified person or persons to make an examination and appraisal of the securities deposited with him, to determine if such securities meet the requirements of this Section 6a, and the cost of such examination and appraisal shall be borne by the issuer of the investment contracts being sold or offered for sale in this State.

All provisions of "The Illinois Securities Law" (except the provisions of sub-division (3) of Section 3, Section 6, and Section 7) relating to securities comprised in Class "C" shall apply to securities comprised in the class known as "Investment Contracts". (As amended by Acts approved July 7, 1931 and July 1, 1933.)

Sec. 6b. Securities in the class known as "Investment Contracts" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

A statement shall be filed in the office of the Secretary of State:

(1) Containing a description of, a copy of the form of, and specifying the amount of, the securities intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) If the issuer is a corporation, attaching a certified copy of the charter or articles of incorporation, and amendments thereto, and a copy of the by-laws;

(4) If the issuer is a firm, partnership, trust or unincorporated association, attaching a copy of the articles of partnership or association or the trust agreement;

(5) Attaching affidavits stating the names, addresses and occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers and directors of the issuer, if it is a corporation, or of the persons composing the issuer, if the issuer is a non-incorporated association;

(6) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account; and

(7) Setting forth such other material facts as to such securities as the Secretary of State may prescribe.

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Investment Contracts under Illinois Securities Law," followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below." (As amended by Act approved July 7, 1931.)

Sec. 7. Securities in Class "C" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

(a) A statement shall be filed in the office of the Secretary of State:

(1) Describing the evidences of indebtedness, preferred stock or common stock intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account;

(4) Giving the names and addresses of its principal officers and of its directors or trustees;

(5) Giving pertinent facts, data, and information establishing that the securities to be offered are securities in Class "C."

Such statement shall be verified by the oath of not less than two credible persons having knowledge of the facts. Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall

at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Securities in Class 'C' under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

(b) By and with the consent and approval in writing of the Secretary of State any security in Class "C" may be offered for sale or sold before the filing of the statement with respect thereto hereinabove in Paragraph (a) of this section seven (7) referred to, anything in this statute to the contrary notwithstanding such consent to be conditioned upon there being deposited in the office of the Secretary of State by the issuer or any party interested in the sale of such security:

1. A notice briefly describing the securities to be offered and stating the price at which such securities are to be offered to the public, the amount of the issue and the amount to be sold in Illinois;

2. The fee with respect to such securities prescribed in section 26 of this statute;

3. A copy of the circular to be used in selling or offering for sale such securities;

4. Such additional information as may be required by the Secretary of State; provided that within thirty days after the deposit of such documents, or within such further time as the Secretary of State may prescribe, there shall be filed in the office of the Secretary of State the statement with respect to such securities provided for in paragraph (a) of this section seven (7); and further provided, that no issuer or other party shall offer, advertise or sell any such security prior to the filing by the Secretary of State of the statement hereinabove in Paragraph (a) prescribed unless such issuer or other party shall have on file in the office of the Secretary of State an irrevocable consent and power of attorney with respect to the sale of Class "C" securities as provided in section 16 of this Act; and shall also have on file in the office of the Secretary of State a good and sufficient bond in the sum of not less than \$50,000.00, payable to the people of the State of Illinois, for the protection, use and benefit of purchasers and of all persons in interest, executed by a surety or guaranty company authorized to do business in this State conditioned that in the event the statement with respect to any securities shall not be filed, as above provided, the obligor in such bond will repay to any purchaser from such obligor, on demand and tender of such securities, the purchase price paid therefor. (As amended by Act approved June 11, 1921.)

Sec. 7a. 1. Securities of organizations known as "Investment Trusts", for the purposes of this Act, shall mean and include shares representing equitable ownership of or participation in, or the shares of capital stock of a corporation the assets of which consist of, property held in trust for the benefit of the holders of such shares, or property held as custodian for a corporation and its stockholders, by a bank or trust company having a capital and surplus of not less than

\$1,000,000, which property consists principally of securities and/or cash. For the purposes of this Section 7a investment trust shares shall consist of the following:

(a) Shares of fixed investment trusts shall mean and include shares of an investment trust in which no change (other than elimination under provisions of the trust instrument requiring the net proceeds of such elimination to be distributed) can be made in the identity of the securities deposited in such trust except upon the happening of one or more events specified in the trust instrument and which are beyond the control of any party thereto.

(b) Shares of a semi-fixed investment trust shall mean and include shares of a trust in which an investment of the funds of such trust is permitted in securities from an approved, reserve or eligible list that has been selected and approved by the trust and its shareholders or stockholders, both at the time of purchase of such shares and subsequent thereto, and in which trust discretionary changes as to securities held in such trust involving substitution as well as elimination, are permitted.

2. Shares of fixed trusts may be sold in this State upon registration by description as set forth in this Section 7a, provided that the basic securities in such trust shall consist of Class "A" securities as defined in paragraphs (1), (2), (3) and/or (4) of Section 4 of this Act (excluding, however, any investment trust shares) and/or cash.

Such registration shall be effected by the filing by any registered dealer or broker, in the office of the Secretary of State, on forms prescribed by the Secretary of State, a description of such investment trust shares which shall state under oath:

(a) The name of such investment trust shares;

(b) The name and address of the trustee;

(c) The name and address of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust;

(d) The name and address of the person, firm or corporation having general charge of the distribution of such investment trust shares;

(e) All deductions which may be made from the trust estate or the income therefrom (except taxes and other governmental charges and distributions to the holders of such investment trust shares) together with reference to the provisions of the trust agreement providing for such deductions;

(f) A full and complete statement of the method of meeting continuing trustee's fees throughout the life of the trust.

The foregoing description shall be accompanied by a copy of the trust agreement, copies of any and all agreements relating to or in any way affecting the administration of the trust, and copies of all prospectuses, circulars, or advertisements then prepared to be used in connection with the sale of such investment trust shares to the public.

Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold face type the expression:

"INVESTMENT TRUST SHARES UNDER THE ILLINOIS SECURITIES LAW", followed by the expression, also in bold face type:

"THIS STATEMENT IS PREPARED BY PARTIES INTERESTED IN THE SALE OF SECURITIES HEREIN MENTIONED. NEITHER THE STATE OF ILLINOIS, NOR ANY OFFICER OF THE STATE ASSUMES ANY RESPONSIBILITY FOR ANY STATEMENT CONTAINED HEREIN NOR RECOMMENDS ANY OF THE SECURITIES DESCRIBED BELOW:".

Such registration shall be completed when the information above described, together with the accompanying documents and the fees hereinafter required, shall be received in the office of the Secretary of State. Such registration shall be automatically revoked whenever any security in the trust listed on a stock exchange approved under paragraph (4) of Section 4 of this Act, which is not otherwise a Class "A" security as defined in paragraphs (1), (2) and/or (3) of Section 4 of this Act, shall cease to be listed on any stock exchange approved under paragraph (4) of Section 4 of this Act, provided, however, that if such security is eliminated from the trust such registration shall automatically be restored. In the event of any amendment of the trust agreement, or of the happening of any event affecting the statements contained in the description, a new description shall be filed.

At the time of filing any such description and annually thereafter so long as such investment trust shares shall be sold in this State, there shall be paid to the Secretary of State (in lieu of all other fees required by this Act) a fee of \$100.

After registration of such investment trust shares in the manner hereinbefore described any person, dealer, broker, solicitor or agent registered under the provisions of Sections 23, 23a and 23b of this Act, may sell the same at any price within the limitation provided in paragraph 4 of this section 7a.

3. All investment trust shares which are not registered by description under the foregoing provisions shall, before being sold in this State, be registered by qualification in the manner hereinafter in this Section 7a provided.

An application for qualification shall be filed in the office of the Secretary of State by the person, firm or corporation having general charge of the distribution of such investment trust shares. Such application shall be on forms prescribed by the Secretary of State and shall include all of the information required by the foregoing paragraph 2.

The application shall also state the names, addresses and business affiliations of the officers and directors or the partners of the applicant and of the person, firm or corporation creating or sponsoring such investment trust shares or depositing the securities in the trust. The Secretary of State in his discretion may from time to time require such other information as he may at any time deem necessary or appropriate to determine the fitness of such investment trust shares for qualification.

At the time of filing the application the applicant shall pay to the Secretary of State a filing fee of \$10.

The Secretary of State, in his discretion, may make or cause to be made an examination of all matters appertaining to the trust, including the applicant, the person, firm or corporation creating or sponsoring such investment trust shares or depositing such securities in the trust and the trustee, and may require the applicant to advance sufficient funds to pay for all or any part of the actual expenses of such examination, an itemized statement of which shall be furnished to the applicant.

Not less than twenty-five copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold face type the expression:

"INVESTMENT TRUST SHARES UNDER THE ILLINOIS SECURITIES LAW," followed by the expression, also in bold face type:

"THIS STATEMENT IS PREPARED BY PARTIES INTERESTED IN THE SALE OF SECURITIES HEREIN MENTIONED. NEITHER THE STATE OF ILLINOIS, NOR ANY OFFICER OF THE STATE, ASSUMES ANY RESPONSIBILITY FOR ANY STATEMENT CONTAINED HEREIN NOR RECOMMENDS ANY OF THE SECURITIES DESCRIBED BELOW".

Unless the Secretary of State shall find:

(a) That the character of securities to be deposited, the proposed offer or disposal of such investment trust shares, the plan of issuance and sale thereof, or the plan of administration of the trust under the trust agreement is fraudulent or would work or tend to work a fraud; or

(b) That adequate provision has not been made to meet continuing trustee's fees throughout the life of the trust, then the Secretary of State shall notify the applicant that upon payment of the registration fee of \$100 the qualification of such investment trust shares will be registered. Such registration fee shall be paid annually thereafter and in the event of failure to make such payment such registration shall be automatically revoked. Such qualification may be revoked at any time by the Secretary of State for cause.

After registration of such investment trust shares with the Secretary of State, any person, dealer, broker, solicitor or agent registered under Sections 23, 23a and 23b of this Act may sell the same at any price within the limitation described in paragraph 4 of this Section 7a.

4. No investment trust shares shall be sold in this State unless, on the date of sale to the public, the market value of the securities underlying the same plus the fair value of any other property and cash applicable to each investment trust share so sold, is equivalent to not less than 90% of the sales price of such investment trust share to the public. The market value of each underlying security which is listed shall be determined during periods while the exchange on which such security is listed is open, by actual transaction prices on such exchange, computed at odd lot prices and including customary brokerage commissions actually paid. During periods while the exchange upon which any such underlying security is listed is closed, such

market value shall be determined by the last closing asked price thereof figured at odd lot prices and including customary brokerage commissions actually paid. The market value of any unlisted security shall be determined as nearly as is reasonably possible in the same manner as the market value of a listed security as hereinabove set forth.

5. The Secretary of State may suspend or revoke the registration of any person, dealer, solicitor or agent violating any of the provisions of this Act. (As amended by Acts approved July 7, 1931 and July 1, 1933.)

Sec. 8. All securities other than those falling within Class "A", "B", "C", "Investment Contracts", respectively, and securities of organizations described as "Investment Trusts", shall be known as securities in Class "D". (As amended by Acts approved July 7, 1931).

Sec. 9. No security in Class "D", shall be sold or offered for sale until there shall have been filed in the office of the Secretary of State, statements and documents as follows:

(1) A description and amount of the securities intended to be offered for sale;

(2) If the issuer is a corporation, a certified copy of the charter or articles of incorporation and by-laws;

(3) If the issuer is a firm, trust, partnership or unincorporated association, a copy of the articles of partnership, association or trust agreement;

(4) The names, addresses and prior occupations during a period of not less than ten (10) years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers, directors or trustees of the issuer, if it be a corporation, or of the persons composing the issuer, if the issuer be a non-incorporated association. The statement in this paragraph (4) provided for shall be verified by the oath of one of the persons hereinabove mentioned or by some person familiar with such facts;

(5) A description of the nature of the industry engaged in or intended to be engaged in and the approximate time when such industry was or will be established;

(6) An inventory showing the assets of the issuer;

(7) An appraisalment of the assets of the issuer;

(8) A statement in detail of the gross income of the issuer and the source or sources thereof and of its operating and other expenses for a period of twelve (12) months prior to the date of filing such statement, or for the period of the existence of the issuer if less than two years prior to the date of filing;

(9) A copy of the most recent balance sheet of the issuer, showing the financial condition of the issuer at a date not more than sixty (60) days prior to the date of filing, and giving an analysis of surplus account from inception of such issuer;

(10) A copy of the mortgage, trust deed, indenture or writing securing the securities, whereunder the same are issued, if any such instrument there be;

(11) A copy of the form of the securities intended to be offered;

(12) A copy of any and all subscription blanks to be used in the

sale thereof, which subscription blanks shall have printed thereon, "These are speculative securities";

(13) A statement as to the manner in which the securities are to be offered and sold;

(14) If the securities be intended to be offered and sold by the issuer through solicitors, agents or brokers, an irrevocable contract executed by each such solicitor, agent or broker authorized to offer or sell such securities by or on behalf of the issuer to the effect that the issuer will receive in cash not less than 80% of the proceeds of each sale of the securities without deduction for any commission or expenses, directly or indirectly, and without liability to pay any sum whatsoever as commission or expenses or for services in and about such sale;

If the securities shall have been or be intended to be sold to any dealer, solicitor, agent or broker and intended to be by such dealer, solicitor, agent or broker sold to the public for their own account, a statement verified under oath, establishing that the price paid to the issuer was or will be without any fixed or contingent right in the issuer to demand or receive any additional sum on account of such securities or the sale thereof;

(15) A summary of the material facts disclosed by the preceding statements;

(16) Such other facts relative to such securities as the Secretary of State shall prescribe.

Such statements and documents shall, except as otherwise provided herein be verified by the oath of not less than two of the officers of the issuer, if the issuer be a corporation, or by not less than two members of a firm, trust, partnership or association, if the issuer be non-incorporated, or by the oath of the owner or owners, as the case may be, provided that at least one of the oaths required hereunder shall be taken before an officer of this State, authorized to administer oaths therein.

The Secretary of State may require further and additional verification under the oaths of other persons. (As amended by Acts approved July 7, 1931 and July 1, 1933.)

Sec. 10. With the statement required to be filed in the office of the Secretary of State with reference to securities in Class "D", there shall also be filed an inventory, in such detail as the Secretary of State shall require; showing the assets of the issuer as of a date not more than sixty (60) days prior to the date of filing thereof. Such inventory shall be accompanied by an appraisalment made by a disinterested qualified person or persons who may be selected by the Secretary of State, showing the value of the assets described in such inventory and the cost of such appraisalment shall be borne by the applicant, provided that such applicant shall not be obliged to pay such costs without his or its consent in advance. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated. In determining whether or not any inventory and appraisalment hereunder shall be filed, the Secretary of State in arriving

at what constitutes the fair value of the assets appraised, may take into consideration the actual cost of such appraised property.

Such appraisement shall be verified by the oath of the person or persons making the same. (As amended by Acts approved June 11, 1921 and July 1, 1933.)

Sec. 11. Hereafter no statements as required under the provisions of Sections 6b, 7, 7a and 9 of this Act shall be filed by the Secretary of State unless the financial data required by said sections, under the rules and regulations of the Secretary of State relating thereto, shall be prepared, and certified to, by a certified public accountant, or public accountant licensed, as such in this, or any other, state and the same has been submitted to and approved by the Secretary of State.

At any time, either before or after the filing of any statement required by this Act to be filed with reference to securities in Class "C" or Class "D" the Secretary of State may designate a certified public accountant to make an examination of the books, records, papers and documents, of the issuer and make a report of the examination thereof to the Secretary of State. The Secretary of State shall fix the compensation of such certified public accountant in advance and shall notify the issuer thereof of the amount so fixed, which compensation shall be paid by the issuer to such certified public accountant as his compensation for making such examination, provided the applicant shall not be obligated to pay such compensation without his or its consent in advance.

The Secretary of State may secure information from or through others and may make or cause to be made investigations respecting the business, affairs and property of the issuer, and the cost of such investigation shall be borne by the applicant, provided that such applicant shall not be obligated to pay such costs without his or its consent in advance, and in financing by the sale of securities in Class "D", the Secretary of State in his discretion may require that the capital to be obtained by such sales, be held intact or so much or such portion thereof as may in the opinion of the Secretary of State be necessary to prevent loss of such capital or fraud upon the purchasers of such securities, and for such purpose take bond to the People of the State of Illinois for the use and benefit of such purchasers with sufficient sureties, or may accept other safeguards in lieu thereof; and may require financial statements and reports of the issuer so often as circumstances appear to warrant. (As amended by Acts approved June 11, 1921 and July 1, 1933.)

Sec. 12. If the statement as to securities in Class "D" shall disclose that any of such securities shall have been or shall be intended to be issued for any patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, the amount and nature thereof, shall be fully set forth, and securities issued in payment of such patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, shall be delivered in escrow to such bank or trust company as shall be designated by the Secretary of State under an escrow agreement that the owners of such securities shall in case of dissolution or insolvency not participate in the assets of the corporation, firm, trust, part-

nership or association incorporated or unincorporated until after the owners of all other securities have been paid in full. Such escrow agreement shall remain in full force until the securities of the issuer thereof are qualified under Class "C" hereof, or until a statement has been submitted to and filed by, the Secretary of State showing either that the securities meet the requirements of Section 6 of this Act, or that the issuer has been dissolved, as provided by the law of the state in which issuer was organized, and the owners of all other securities have been paid in full. (As amended by Act approved July 1, 1933.)

Sec. 12a. Before selling or offering for sale in Class "D" any notes or bonds secured by a mortgage lien upon real estate or leasehold or bridges over rivers or other bodies of water: (a) When the mortgage is a first mortgage on a leasehold, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the face thereof a legend, in red letters not less than one-half inch in height, as follows: "This is a leasehold bond and is secondary to a lien on the fee"; (b) When the notes or bonds (but not including interest notes or coupons) are secured by a first mortgage lien upon real estate and buildings or bridges over rivers or other bodies of water, in good faith, to be erected thereon, each of such notes or bonds secured thereby (but not including interest notes or coupons) shall bear across the face thereof, a legend, in red letters not less than one-half inch in height stating that the note or bond is a note or bond against a building or bridge not yet erected, and stating in addition, in the case of a leasehold, that the mortgage securing such note or bonds is on a leasehold; (c) When the mortgage lien is a junior mortgage upon real estate or leasehold or bridges over rivers or other bodies of water, such notes or bonds secured thereby (but not including interest notes or coupons) shall each bear across the face thereof a legend in red letters not less than one-half inch in height, stating (1) that the mortgage is a second or third mortgage, or, as the case may be, (2) that the mortgage is on a leasehold, if that be the case, and (3) that the note or bond is a construction note or bond, if that be the case; (d) When any of the notes or bonds hereinabove set forth have been subordinated then all such notes or bonds so subordinated shall bear across the face thereof a legend in red letters not less than one-half inch in height, stating that the mortgage notes or bonds are subordinated. (As amended by Acts approved July 7, 1931 and July 1, 1933.)

Sec. 12b. No security shall be sold or offered for sale, and no prospectus, advertisement, circular and document circulated, published or distributed for the purpose of effecting sales of securities, under the provisions of this Act, shall contain the word "gold", unless such security shall be redeemable or payable in gold. (As amended by Act approved July 1, 1933.)

Sec. 13. Repealed April 28, 1932.

Sec. 14. Repealed April 28, 1932.

Sec. 15. Not less than 25 printed or typewritten copies of the summary of the statement required to be filed with reference to securities in Class "D" shall be deposited in the office of the Secretary of State. The printed or typewritten copies so deposited shall bear at the top in bold face type the expression:

"SECURITIES IN CLASS 'D' UNDER ILLINOIS SECURITIES LAW: THESE ARE SPECULATIVE SECURITIES," followed by the expression, also in bold face type:

"THIS STATEMENT IS PREPARED BY PARTIES INTERESTED IN THE SALE OF SECURITIES HEREIN MENTIONED. NEITHER THE STATE OF ILLINOIS NOR ANY OFFICER OF THE STATE ASSUMES ANY RESPONSIBILITY FOR ANY STATEMENT CONTAINED HEREIN NOR RECOMMENDS ANY OF THE SECURITIES DESCRIBED BELOW."

Sec. 16. Before any securities in Classess "C" or "D" shall be sold or offered for sale by the issuer thereof, other than through a registered dealer and broker and/or before any applicant shall be registered as dealer and broker, under the provisions of this Act, such issuer, or applicant, shall file in the office of the Secretary of State a written irrevocable consent and power-of-attorney, that suits at law or in equity, arising out of or founded upon the sale or offering for sale of any securities in violation of this Act may be commenced against the corporation, firm or partnership, association, or person executing such power-of-attorney, in any court of competent jurisdiction within this State, in any county in which the plaintiff or complainant resides, or in which the cause of action may have arisen, by the service of process upon the Secretary of State, and therein agreeing and stipulating that such service of process upon the Secretary of State shall be taken and held in all courts to be as valid and binding, as if due service had been made upon the corporation, firm or partnership, association, or person executing such power-of-attorney, according to the law of this State. Such instrument in the case of a corporation, shall be signed by its authorized officer, agent or attorney-in-fact under its corporate seal, if it has one, pursuant to a resolution of its governing body, a certified copy of which resolution shall be attached to such irrevocable consent and power-of-attorney; or if a person, firm or partnership, or association, then signed and acknowledged by such person or by any duly authorized agent of such firm or partnership, or association. Whenever any process is served upon the Secretary of State, he shall at once forward a copy of the same by registered mail to the defendant at his or its last address of record in the office of the Secretary of State. (As amended by Act approved April 28, 1932.)

Sec. 17. Before filing any statement or document with reference to securities in Class "C" or Class "D" the Secretary of State shall within a reasonable time examine the same and, if the same is incomplete, inadequate, evasive or otherwise not in conformity with the provisions of this Act, or if the sale or offering for sale of securities based upon the plan or scheme evidenced by the statements and documents offered to be filed, would in the opinion of the Secretary of State work or tend to work a fraud upon the purchaser of such securities the Secretary of State shall refuse to file the same. Otherwise such statements or documents shall be filed by the Secretary of State. Upon the filing of such statements or documents by the Secretary of State, the issuer, solicitor, agent, broker, dealer or owner may proceed to sell the amount of securities proposed to be sold or disposed of in this

State, but no written or printed evidence of the compliance with this Act shall be issued by the Secretary of State, unless such written or printed evidence contains the following words "neither the State of Illinois nor any officer of the State recommends any security. This written evidence of filing shall not be used in connection with the sale or offer of such securities." The Secretary of State may, either before or after such statements and documents are filed, propound interrogatories to the persons filing, or offering to file, such statements or documents, respecting any facts required to be stated with reference to such securities. Such interrogatories shall be answered under oath. If such interrogatories relate to a statement or document offered to be filed, such statement or document shall not be filed until such interrogatories are answered, and not then unless such statement and document and the answers to such interrogatories disclose conformity with this Act. If such interrogatories relate to a statement or document already filed, such interrogatories shall be answered within twenty days or within such further time as the Secretary of State shall prescribe. If not answered within twenty days or within any extension thereof, the sale or offering for sale of the securities covered by the statement or document to which the interrogatories relate, shall be unlawful. (As amended by Act approved July 1, 1933.)

Sec. 18. Whenever the Secretary of State refuses to file any statement or document presented under the provisions of this Act, the person presenting such statement or documents for filing may within thirty days thereafter, file a petition in the Circuit Court of Sangamon County, against the Secretary of State, officially as defendant, to review his action in refusing to file such statement or document, alleging therein, under oath, in brief detail, the right of the petitioner to sell securities in this State, and praying that the Secretary of State be required to file in his office such statement or document.

If, upon a hearing, the court shall find upon consideration of the statement or document and other pertinent evidence that the sale or offering for sale of securities upon the basis, plan or scheme evidenced therein and thereby will not work or tend to work a fraud upon the purchaser or purchasers of such securities, and shall further find that the Secretary of State wrongfully concluded that the sale or offering for sale of such securities would work or tend to work a fraud upon purchasers thereof, and that the petitioner is entitled to the benefits of and has complied with the provisions of this Act, the court may order such statement or document filed.

Either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court. Judgment against the petitioner shall not bar his right to file a new statement or document under the provisions of this Act, nor shall judgment in favor of the petitioner prevent the Secretary of State from thereafter applying for an injunction, or otherwise proceeding, as is provided in this Act. Merely technical irregularities in the procedure of the Secretary of State shall be disregarded and the burden of proof on all questions in controversy shall rest upon the petitioner. (As amended by Act approved June 11, 1921.)

Sec. 19. Every expression or statement made as an inducement to procure the filing of the information required by the provisions of this Act, shall be reduced to writing and verified under oath by the person making such expression or statement. (As amended by Act approved July 1, 1933.)

Sec. 20. So long as any security is sold or offered for sale under the provisions of this Act, such person, issuer, dealer, solicitor, agent or broker shall on or before the expiration of each six months' period, from the date of filing the original statements and documents, and oftener if required by the Secretary of State, file new or supplemental statements disclosing:

(1) The amount of securities sold, the sale price thereof and the amount of cash proceeds received therefor by the issuer;

(2) All changes in the financial conditions of the issuer or in its management or property, accompanied by a copy of the most recent balance sheet of the issuer showing the financial condition of the issuer at a date more than 60 days prior to the date of such filing, and such other facts as the Secretary of State may require.

Such supplemental statement shall also be accompanied by not less than twenty-five wholly typewritten or printed copies of such summary of such supplemental statement, which summary shall be filed in the office of the Secretary of State.

Such supplemental statement shall be verified in the same manner as the original statement.

Whenever it shall be made to appear to the Secretary of State, by a verified statement in writing, that the entire issue of securities authorized for sale, under the provisions of this Act, has been sold and fully distributed to the public, or that the person, issuer, dealer and broker, or solicitor and agent, who filed the original statement hereunder, no longer desires to sell or offer for sale the securities qualified in said statement, or whenever the authority to sell such securities has been revoked in accordance with the provisions of paragraph (2) of Section 24 of the Act, thereafter the filing of any supplemental statement shall not be required. (As amended by Acts approved July 7, 1931 and April 28, 1932.)

Sec. 21. (a) No issuer, dealer or broker, solicitor and agent, or other person shall, in this State, relative to any security, make any false or misleading representations, or issue, circulate or publish any advertising matter which shall contain any false or misleading statements or which is not in compliance with rules established by the Secretary of State, or issue, circulate or publish any advertising matter or make any written representation, unless the name of the issuer, dealer or broker, solicitor and agent, or other person issuing, circulating, or publishing the same shall be subscribed thereto, or make any representation, or issue, circulate, or publish any advertising matter containing any statement to the effect that the security has been in any way approved or endorsed by the Secretary of State, or the State of Illinois, provided, however, that if the issuance of any securities has been authorized by any governmental body, such fact may be set forth in such advertising matter. All such advertising matter issued, circulated,

or published for the purpose of effecting sales of securities in Class "D" shall contain the words in bold faced type, "SECURITIES IN CLASS 'D' UNDER THE ILLINOIS SECURITIES LAW. THESE ARE SPECULATIVE SECURITIES".

(b) Except as to securities coming within the provisions of Sections 4 and 5 of this Act, and as advertisements appearing in newspapers, magazines, or periodicals no issuer, dealer or broker, solicitor and agent, or other person shall in this State issue, circulate, or publish any advertising matter in connection with the sale of any security, unless a copy thereof shall have been submitted to, and approved by, the Secretary of State, except that lists and quotations of securities may be published without comment. Such advertising matter shall not use the words "To be listed on a Security Exchange", or any such similar phrase, unless an application for listing has actually been made to a security exchange. The Secretary of State shall have the power and authority to prescribe the form of the advertising matter and he may require that such advertising matter contain additional information from time to time in order that prospective purchasers of a security may be fully advised as to the true condition of the issuer of such security. (As amended by Act approved July 1, 1933.)

Sec. 22. The Secretary of State shall, upon request therefor, mail or deliver to any person a copy of the summary of the statements or supplemental statements required to be deposited in his office.

Sec. 23. Except as to anyone making sales specified as exempt in Section five (5) of this Act, hereafter no dealer and broker, or solicitor and agent, shall offer for sale or sell securities within this State unless registered with the Secretary of State as dealer and broker, or solicitor and agent, provided, however, that registration as solicitor and agent shall not be required of any officer of a corporation, partner or member of a firm or partnership, or manager or trustee of an association, when such corporation, firm or partnership, or association is an issuer, or registered dealer and broker, within the provisions of this Act. (As amended by Acts approved July 2, 1925, June 26, 1929 and April 28, 1932.)

Sec. 23a. Any person, firm or partnership, association, or corporation desiring registration as dealer or broker, under the provisions of this Act, shall apply therefor, upon application forms prescribed by the Secretary of State, showing:

(a) The name and address of the applicant, location of its or his principal and all other offices, and the date of organization;

(b) A description of the applicant, including—

If the applicant is a partnership, unincorporated association or any similar form of business organization, the names, residence and business addresses of all partners, members, officers, directors, trustees or managers; the limitations, if any, of the liability of any partner, member, manager or trustee; and a ten (10) year occupational statement for each such officer, director, member, partner, manager or trustee;

If the applicant is a corporation, a list of its officers and directors, the residence and business address of each, a ten (10) year occupational

statement of each officer and director, and a copy of the articles of incorporation, and amendments thereto, unless same are already on file in the office of the Secretary of State;

(c) The general plan and character of business of the applicant;

(d) In what other states registered, and if registration has ever been refused, cancelled, suspended or withdrawn in any state;

(e) Information and evidence as to the financial responsibility of the applicant;

(f) If the applicant is an individual, any pending civil or criminal proceedings for or against said applicant, or if said applicant has been convicted of a felony or any misdemeanor of which fraud is an essential element.

If the applicant is a corporation or partnership, unincorporated association or any similar organization, any pending civil or criminal proceedings for or against the officers, directors, partners, members, trustees or managers of same, or if such officers, directors, partners, members, trustees or managers have been convicted of a felony, or any misdemeanor of which fraud is an essential element; and

(g) Such additional information as to the previous history, record or association of the applicant, its officers, directors, employees, members, partners, managers or trustees, as the Secretary of State may deem necessary to establish whether or not the applicant should be registered under the provisions of this Act, as dealer or broker.

The application for registration as a dealer or broker, under the provisions of this Act, shall be verified by the oath of one of the officers of the corporation, if the applicant is a corporation, or by a member of the firm, trust, partnership, or association, if the applicant is non-incorporated, or by a duly authorized agent of such corporation, firm, trust, partnership or association, as the case may be, or by the individual, if the applicant is an individual. (As amended by Acts approved April 28, 1932 and July 1, 1933.)

Sec. 23b. Any issuer, or dealer and broker, if duly authorized under the provisions of this Act, desiring to register a solicitor and agent shall apply therefor upon application forms prescribed by the Secretary of State, showing:

(a) The name and residence and business address of the solicitor and agent;

(b) A duly authenticated appointment by the issuer, or dealer and broker, of the solicitor and agent and a duly authenticated acceptance by such solicitor and agent of the appointment;

(c) The solicitor and agent's age and experience in the sale of securities and whether such solicitor and agent has ever been refused a license as a solicitor and agent in any state, or whether any license granted such solicitor and agent has ever been cancelled, suspended or withdrawn in any state;

(d) The nature of employment and names and addresses of employers of the solicitor and agent for the period of ten (10) years immediately preceding the date of application;

(e) If ever convicted of a felony, or any misdemeanor of which fraud is an essential element;

(f) The names and addresses of three (3) reputable persons of whom the Secretary of State may inquire as to the character and business reputation of the solicitor and agent; and

(g) Such additional information as to the solicitor and agent's previous history, record or association, as the Secretary of State may deem necessary to establish whether or not such person should be registered under the provisions of this Act as a solicitor and agent.

The application for registration as a solicitor and agent, under the provisions of this Act shall, except as provided herein, be verified by such solicitor and agent. (As amended by Acts approved July 2, 1925, June 26, 1929, and April 28, 1932.)

Sec. 23c. At the time any application for registration as dealer or broker is submitted to the Secretary of State, a fee of twenty-five dollars (\$25) shall accompany such application. At the time any application for registration as solicitor and agent is submitted to the Secretary of State, a fee of five dollars (\$5) shall accompany such application. All such fees shall be paid into the State Treasury, even though such applications are not filed by the Secretary of State.

Any dealer or broker upon the payment of a fee of twenty-five dollars (\$25), if and when duly registered, under the provisions of this Act, but not otherwise, may offer for sale and sell securities in Classes "A", "C", "D", and the Classes known as "Investment Trusts", and "Investment Contracts", as otherwise provided and prescribed in this Act.

Solicitors and agents appointed by an issuer, or dealer or broker, under the provisions of this Act, upon payment of a fee of five dollars (\$5) for each registration thereunder, if and when duly registered, but not otherwise, may offer for sale or sell securities in Classes "A", "C", "D", and the Classes known as "Investment Trusts" and "Investment Contracts", as otherwise provided and prescribed in this Act; provided that the maximum fee to be paid for the registration of all solicitors and agents by any one issuer, or registered dealer, or broker, shall not exceed the sum of three hundred dollars (\$300). Any solicitor and agent severing his connection with, or any solicitor and agent having his connection severed by, an issuer, or dealer or broker, shall lose his right to sell or offer for sale securities under the registration theretofore granted, and such registration shall automatically become void. (As amended by Acts approved April 28, 1932 and July 1, 1933.)

Sec. 23d. The Secretary of State shall not issue any certificate or written evidence of registration as a dealer or broker, or solicitor and agent, under the provisions of this Act, to any person, firm or partnership, association or corporation, so registered, unless such certificate or written evidence contains the following words "neither the State of Illinois nor any officer of the State recommends any seller of securities. This written evidence of filing shall not be used in connection with the sale of a security". The finding of the Secretary of State that any person, firm or partnership, association, or corporation, may act as a dealer or broker, or solicitor and agent, within this State, shall take the form solely of entering the name in a suitable record for that purpose which shall be open to the public; and a finding of the Sec-

retary of State that registration of a dealer or broker, or solicitor, and agent, should not be granted, or that registration should be suspended or cancelled, or the rescission of such suspension or cancellation, shall be in the form of an order to that effect, which order shall be reduced to writing; shall state the grounds for refusal to register, for suspension, cancellation or rescission of a cancellation or suspension; and shall be signed by the Secretary of State. Such order shall also be noted upon the register or record kept by the Secretary of State for that purpose. Each registration under this Act, unless previously terminated, shall expire the 30th day of June in each year. (As amended by Acts approved April 28, 1932 and July 1, 1933.)

Sec. 23e. The registration of a dealer or broker may be refused, or any registration granted may be revoked after five (5) days' notice and opportunity for hearing given, by the Secretary of State if the Secretary of State shall determine that such applicant, or registrant so registered, or any officer, director, member or partner, manager, or trustee thereof;

(a) Has been convicted of a felony, or any misdemeanor of which an essential element is fraud;

(b) Has conducted or is about to conduct business in a fraudulent manner;

(c) Has made any misrepresentations or false statements to, or concealed any essential or material fact from, any person in the sale of a security to such person;

(d) Has failed to account to persons interested for all money and/or property received;

(e) Has not delivered, after a reasonable time, to persons entitled thereto, securities held or agreed to be delivered by the dealer or broker, as and when paid for and due to be delivered;

(f) Has made or is making misrepresentation of any essential or material fact to the Secretary of State, or has violated the provision of the laws of any foreign state regulating the sale of securities therein, or has violated the provision of this Act or any order, rule or regulation of the Secretary of State pertaining to the enforcement of this Act;

(g) Is insolvent;

(h) Is not of good business repute;

(i) Is selling or offering for sale securities through any solicitor and agent not registered in compliance with the provisions of this Act;

(j) Has been refused a license in any state, or that any license in any state theretofore granted the applicant or registrant, or any officer, director, member or partner, manager or trustee thereof has been cancelled, suspended or withdrawn for fraudulent conduct or violation of the law of such state regulating the sale of securities therein;

(k) Is or has been using practices in the sale of securities that work or tend to work a fraud;

(l) Has refused to furnish or give pertinent data to the Secretary of State;

(m) Has in the sale of a security stated that a dividend would be paid thereon, when said dividend had not actually been declared by the issuer thereof; or

(n) Has, in the sale of a security, promised that such security would be listed on a security exchange when no application for such a listing has actually been made to the exchange. (As amended by Acts approved April 28, 1932 and July 1, 1933.)

Sec. 23f. The registration of any solicitor and agent may be refused, or any registration granted may be revoked, after five (5) days' notice and opportunity for hearing given, by the Secretary of State if the Secretary of State determines that such applicant, or registrant so registered:

(a) Has made any misrepresentations or false statements to, or concealed any essential or material fact from, any person in the sale of a security to such person;

(b) Has made or is making misrepresentations of any essential or material fact to the Secretary of State or has violated the provision of the laws of any foreign state regulating the sale of securities therein, or has violated the provision of this Act, or any order, rule or regulation of the Secretary of State, pertaining to the enforcement of this Act;

(c) Has been convicted of a felony, or any misdemeanor of which fraud is an essential element;

(d) Has failed to account to any person or persons interested for all money and/or property received;

(e) Is not of good business repute;

(f) Is selling or offering securities for sale for any dealer or broker, or any issuer, not in compliance with the provision of the laws of any foreign state regulating the sale of securities therein, or this Act;

(g) Has been refused a license in any state, or that any license in any state theretofore granted the applicant or registrant, has been cancelled, suspended or withdrawn for fraudulent conduct or violation of the law of such state regulating the sale of securities therein;

(h) Is or has been using practices in the sale of securities that work or tend to work a fraud;

(i) Has refused to furnish or give pertinent data to the Secretary of State;

(j) Has in the sale of a security stated that a dividend would be paid thereon, when such dividend has not actually been declared by the issuer thereof; or

(k) Has in the sale of a security promised that such security would be listed on a security exchange when no application for such a listing had actually been made to the exchange. (As amended by Acts approved April 28, 1932 and July 1, 1933.)

Sec. 23g. The action of the Secretary of State in refusing to register any dealer and broker, or solicitor and agent, or any suspension or revocation order of the registration thereof, shall be subject to review in the Circuit Court of Sangamon County in the same manner and with the same rights as provided in Section 18 of this Act.

In no case shall the Secretary of State incur any official or personal liability by refusing to register any dealer and broker, or solicitor and agent, or for the suspension or cancellation of any registration under the provisions of this Act. (As amended by Act approved April 28, 1932.)

Sec. 23h. Whenever, under the provisions of this Act, the Secretary of State is authorized to conduct a hearing, the Secretary of State may require the applicant for registration or registrant, to give in detail and under oath such information as may be necessary to determine whether or not an applicant should be registered or a registration cancelled or suspended, and the Secretary of State shall, in such cases, have the power and authority to investigate and examine into the business and affairs of such dealer and broker, or solicitor and agent, and to administer oaths and by subpoena or other notice require persons to appear, submit to examination under oath, and to produce books, records, papers and files of such proceedings pertinent to and reasonably required to determine whether or not an applicant should be registered or a registration cancelled or suspended. Any Circuit Court of this State or any judge thereof, upon the application of the Secretary of State may in the discretion of such Circuit Court of this State or any judge thereof, compel the attendance of witnesses, the production of books, papers, accounts and documents and the giving of testimony before the Secretary of State by an attachment for contempt or otherwise in the same manner as production of evidence may be compelled by said court.

The fees of subpoenaed witnesses under this Act for attendance and travel shall be the same as fees of witnesses before the circuit courts of this State, such fees to be paid when the witness is excused from further attendance, provided, such witness is subpoenaed at the instance of the Secretary of State: And the disbursements made in payment of such fees shall be audited and paid in the same manner as are other expenses of the Secretary of State. Whenever a subpoena is issued at the instance of a complainant or defendant, the Secretary of State may require that the cost of service thereof and the fee of the witness shall be borne by the party at whose instance the witness is summoned, and the Secretary of State shall have power, in his discretion, to require a deposit to cover the cost of such service and witness fees and the payment of the legal witness fee and mileage to the witness when served with subpoena. A subpoena issued under the provisions of this Act shall be served in the same manner as a subpoena issued out of a court of record. (As amended by Act approved April 28, 1932.)

Sec 23i. In addition to the penalties provided in this Act, the Secretary of State, when he shall have reasonable ground to believe the sales of securities by any dealer and broker, or solicitor and agent, under the provisions of this Act, will work or tend to work a fraud upon purchasers, or when such dealer and broker, or solicitor and agent, is selling securities in violation of, or not in compliance with, any of the provisions of this Act, may through the Attorney General without notice, apply for an injunction, and any court of competent jurisdiction shall have power to restrain any dealer and broker, or solicitor and

agent: insofar as applicable the provisions of Section eighteen (18) and paragraph one (1) of Section twentyfour (24) shall govern such action. (As amended by Act approved April 28, 1932.)

Section 3. Inasmuch as Section Twenty-three (23) of "An Act relating to the sale or other disposition of securities and providing penalties for the violation thereof and to repeal Acts in conflict therewith," was recently held unconstitutional by the Supreme Court of Illinois and there is now no provision requiring registration of dealers, brokers, solicitors and agents, engaged in the business of selling securities, it is highly important that this situation be corrected without delay. Therefore an emergency exists, and this Act shall take effect upon its passage. (As amended by Acts approved July 2, 1925, June 26, 1929 and April 28, 1932.)

Sec. 24. (1) In case any statement or document submitted or filed in the office of the Secretary of State shall, in the judgment of the Secretary of State, in any material part thereof be inadequate, insufficient or not in compliance with this Act, or in case the basis, plan or scheme disclosed by such statements or documents, adopted or filed, would, in the judgment of the Secretary of State, work or tend to work a fraud upon purchasers, or if it shall be made to appear to the Secretary of State, by complaint, through investigation or otherwise, that the statements and documents filed with respect to any securities are false or deceptive in any material particular, or if it shall be made to appear to the Secretary of State that insolvency exists or that conditions with respect to any such securities have so changed that the further sale or offering for sale thereof would work or tend to work a fraud on purchasers thereof, or that any of the terms and provisions of this Act, have not been complied with, or if it shall appear to the Secretary of State by complaint, upon investigation or otherwise, that any securities have been sold or are being offered for sale without compliance with, or in violation of any of the provisions of this Act, the Secretary of State shall, in the name of the People of the State of Illinois, through the Attorney General, apply for an injunction in any court of competent jurisdiction to restrain the further sale or offering for sale of such securities; and the court shall have power to restrain the sale or offering for sale of such securities upon such application and may grant injunctions to enforce the provisions of this Act, in addition to the penalties and other remedies in this Act provided; the petitioner shall not be required to give bond in such proceedings and either party to such suit shall have the right to prosecute an appeal from the order or judgment of the court.

(2) The Secretary of State shall also have the power at any time, after five days' notice to the seller of securities, when insolvency exists or when in the opinion of the Secretary of State the further sale of such securities would work or tend to work a fraud upon purchasers thereof, to suspend or cancel permission to sell such securities in this State, and thereafter the sale or offer for sale of such securities shall be unlawful, and may rescind such action when it shall be made to appear that further sales of such securities will not work or tend to work fraud upon purchasers, the order suspending or cancelling such authority to sell securities and any rescission thereof shall be reduced

to writing and signed by the Secretary of State; any issuer, corporation or person aggrieved or interested in any such suspension or cancellation order aforesaid shall have the right to have the action and decision of the Secretary of State reviewed by the Circuit Court of Sangamon County, the procedure and rights under this paragraph two (2) of this section shall be governed by the provisions of Section 18 of this Act in so far as such provisions may be applied.

(3) In no case shall the Secretary of State incur any official or personal liability by instituting injunction or other proceedings, or by the suspension or cancellation of the right or authority to sell securities. (As amended by Act approved June 11, 1921.)

Sec. 25. The Secretary of State shall have the power and is hereby authorized to make all needful rules and regulations, and from time to time to alter, amend and supplement such rules and regulations as he may deem necessary to carry this Act into full force and effect; provided, however, that any party affected adversely by any order or ruling of the Secretary of State shall have a right of review like unto that specified in paragraph two (2) of section twenty-four (24) of this Act, and pending final decision on such review, and/or of the review and appeals authorized in Sections eighteen (18) and twenty-four (24) of this Act, the acts, orders and rulings of the Secretary of State shall be and remain in full force and effect. The Secretary of State shall also have power to limit the charges and commissions of dealers, brokers, solicitors and agents, with respect to Class "D" securities, and to prescribe the time and manner of payment thereof. The Secretary of State may prescribe and furnish forms for all statements, documents and summaries required by this Act to be filed in his office, and such statements, documents and summaries shall follow substantially the forms so prescribed. All statements and documents and all other matters filed in the office of the Secretary of State under the provisions of this Act shall at all proper hours be available for public inspection. (As amended by Act approved July 2, 1925.)

Sec. 26. The following fees shall be paid to the Secretary of State at the time of submitting any statement for the qualification of securities in Class "C" or "D" and amendments thereto; any supplemental statement as required under Section 20 of this Act; any statement as required under sub-division (b) of Section 7 of this Act; or any inventory and appraisalment, as required under sub-division (7) of Section 4 of this Act:

(1) For Class "C" or Class "D" statement a fee of one-twentieth of one per cent of the amount of securities to be offered for sale in this State, but in no case shall the fee be less than \$25.00 or more than \$300.00;

(2) For an amendatory statement to a Class "C" or Class "D" statement; for a statement as required under subdivision (b) of Section (7) of this Act; for a supplemental statement under Section 20 of this Act; or for an inventory and appraisalment under subdivision (7) of Section 4—\$10.00.

All such fees shall be paid into the State Treasury even though such statements or inventories and appraisalments are not filed by the Secretary of State. (As amended by Act approved July 1, 1933.)

Sec. 27. Repealed July 7, 1931. (See Section 9 of this Act.)

Sec. 28. Whenever in this Act copies of statements or other documents are required to be furnished to the Secretary of State for distribution, additional copies as requested by the Secretary of State, shall be supplied by the parties filing the original copies or by parties interested in the disposition of such securities.

Sec. 29. Any dealer or broker, and any officer, director or trustee of any dealer or broker, and any solicitor or agent offering for sale, selling, exchanging or otherwise dealing in securities or in margins or futures on securities, or making purported or pretended purchases or sales of securities without registration pursuant to and without full compliance with the provisions of Sections 23, 23a, and 23b of this Act, and any person, dealer, broker and any officer, director or trustee of any dealer or broker, and any solicitor or agent, whether registered under Sections 23, 23a and 23b of this Act or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of Section 5 of this Act, and except any securities specifically exempt in and by Section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding ten thousand (\$10,000) dollars for the first offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Acts approved July 2, 1925 and July 1, 1933.)

Sec. 30. Any issuer or any owner of securities, or any officer, director, trustee, solicitor or agent thereof, whether registered under Section twenty-three (23) or not, who shall sell or offer to sell any securities, except in any transaction specifically classified as exempt under the provisions of Section five (5) of this Act, and except any securities specifically exempt in and by Section four (4) of this Act, without full compliance with the provisions of this Act, shall be guilty of a misdemeanor and upon conviction thereof shall for the first offense be punished by a fine in any sum not exceeding ten thousand (\$10,000) dollars, or, if a natural person, by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment in the discretion of the court. (As amended by Acts approved July 2, 1925 and July 7, 1931.)

Sec. 31. Any dealer or broker, and any officer, director or trustee of any dealer or broker, and any solicitor or agent, and any person, or issuer of securities or any officer, director, trustee, solicitor or agent of any issuer of securities, who shall be guilty of a second or any subsequent offense as specified in Sections twenty-nine (29) and thirty (30) of this Act, upon conviction thereof, shall be fined not exceeding twenty-five thousand (\$25,000) dollars for such second or subsequent offense, or, if a natural person, may be punished by imprisonment in the county jail not exceeding one year, or may be punished by both such fine and imprisonment, in the discretion of the court. (As amended by Acts approved July 2, 1925 and July 1, 1933.)

Sec. 32. Any dealer, agent, solicitor or broker, who shall make any statement or representation not authorized by the issuer, or any statement or representation at variance with, or not reasonably predicated upon the statements and documents filed by the issuer in the office of the Secretary of State, shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in any sum not to exceed one thousand dollars (\$1,000.00) for the first offense, and not to exceed five thousand dollars (\$5,000.00) for the second or any subsequent offense, or imprisonment in the county jail not more than six months for the first offense, nor more than one year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the court.

Sec. 33. Any person signing any statement, list, inventory, balance sheet or other paper or document required by any provision of this Act to be verified or sworn to, knowing any representation therein contained to be false or untrue (and the depositing of any such statement or document in the office of the Secretary of State shall be deemed prima facie evidence of knowledge of the falsity thereof or of any representation therein contained, and of the wilful signing of such statement or document), shall be deemed guilty of perjury and shall be subject to the penalties by the law of this State prescribed therefor.

Sec. 34. It shall be unlawful for any officer, director, trustee, solicitor, agent or broker of or for any issuer, knowing such issuer to be insolvent, to sell any securities issued by such issuer; and any such officer, director, trustee, solicitor, agent or broker who shall make any sale of any securities of and for any such issuer, and by reason of such insolvency of such issuer, the price paid for such securities or any part thereof shall be lost to the purchaser, shall be deemed guilty of embezzlement and upon conviction thereof shall be fined in a sum not less than one thousand dollars (\$1,000.00) nor more than ten thousand dollars (\$10,000.00) or may be imprisoned in the State penitentiary for not less than one year nor more than five years, or may be both fined and imprisoned, in the discretion of the court. For the purpose of this section, an issuer shall be deemed insolvent whenever the aggregate of its property shall not, at a fair valuation be sufficient in amount to pay its debts.

Sec. 35. Any person interested in securities sold under the provisions of this Act may maintain in the name of the issuer an action at law or suit in chancery for the use of the issuer, against the solicitor, agent or broker of such issuer, jointly or severally, to recover of such solicitor, agent or broker all moneys or proceeds from the sale of a security for an issuer in excess of the commissions prescribed by the Secretary of State with reference to the sale of such security, and not turned into the treasury of the issuer by such solicitor, agent or broker. (As amended by Act approved July 1, 1933.)

Sec. 36. It shall be unlawful for any officer, director, trustee, solicitor, broker or agent, to sell or offer for sale any securities under the provisions of this Act, in any other manner or form than specifically set forth in the information required to be filed under the provisions of this Act and the rules and regulations of the Secretary of State

relating thereto, and any offer or sale upon any other terms or conditions other than set forth, shall be considered prima facie evidence that such officer, director, trustee, solicitor, broker or agent offered or sold same for the purpose of defrauding the investor to whom such security was offered or sold. (As amended by Act approved July 1, 1933.)

Sec. 37. (1) Every sale and contract of sale made in violation of any of the provisions of this Act shall be void at the election of the purchaser, and the seller of the securities so sold, the officers and directors of the seller, and each and every solicitor, agent or broker of or for such seller, who shall have knowingly performed any act or in any way furthered such sale, shall be jointly and severally liable, in an action at law or in equity, upon tender to the seller or in court of the securities sold, to the purchaser for the amount paid, the consideration given or the value thereof, together with his reasonable attorney's fees in any action brought for such recovery.

(2) In any action, civil or criminal, where the seller or issuer relies for his defense upon any of the exemptions provided for in this Act, the burden of proof to establish such exemption, shall be upon such issuer or seller.

(3) The Secretary of State shall have the power to make such investigations under this Act as he may deem proper and expedient, and to refer any complaint, together with information relative thereto, to the proper officers of the county in which any violation may have occurred.

(4) For the purposes of this Act all persons, solicitors, agents, brokers, officers and directors of the seller, who shall sell or offer for sale securities in violation of the provisions of this Act, or who shall in any manner authorize, aid or assist in any unlawful sale or offering for sale, shall be deemed equally guilty, and may be tried and punished in the county in which said unlawful sale or offering for sale was made, or in the county in which the securities so sold or offered for sale, were delivered or proposed to be delivered to the purchaser thereof.

(5) In any prosecution, action, suit or proceeding before any of the several courts of this State based upon or arising out of or under the provisions of this Act, a certificate under the seal of State, duly signed by the Secretary of State, showing compliance or non-compliance with the provisions of the Illinois Securities Law, respecting the securities in question or respecting compliance or non-compliance with the provisions of the Act by any issuer, solicitor, agent, broker, dealer or owner, shall constitute prima facie evidence of such compliance or of such non-compliance with the provisions of this Act, as the case may be, and shall be admissible in evidence in any action at law or in equity to enforce the provisions of this Act. (As amended by Act approved June 11, 1921.)

Sec. 38. Nothing in this Act shall be construed to relieve corporations from making reports now or hereafter required by law to be made to the Secretary of State or paying the fees now or hereafter to be paid by corporations. This Act shall not be construed to repeal any law now

in force regulating the organization of corporations in this State or the admission of any foreign corporation, but the provisions of this Act shall be construed to be additional to any provision regulating the organization of a corporation under the law of Illinois or the admission of a foreign corporation to do business in this State.

Sec. 39. If the issuer of any securities be a foreign corporation, and such issuer shall desire to make sales of such securities under the provisions of this Act, no statement or document relating to such sales shall be filed in the office of the Secretary of State until such foreign corporation has complied with the law regulating the admission of foreign corporations to transact business in this State.

Sec. 40. No prosecution for violation of any provision of this Act shall bar or be barred by any prosecution for the violation of any other provisions of this Act or of any other statute; but all prosecutions and all civil actions to recover money or for other purposes under this Act or based upon any provision of this Act must be commenced within five years after the commission of the act complained of.

Sec. 41. The invalidity of any section or provision of this Act shall not affect the remainder thereof.

Sec. 42. An Act entitled, "An Act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the State of Illinois, by any dealer, firm, company, association or corporation, foreign or domestic, by requiring an inspection of such stocks, bonds, or other securities and an inspection of the business of such persons, firms, companies, associations or corporations, including dealers and agents, and such regulation and supervision of the business of said persons, firms, companies, associations or corporations, including dealers and agents, as may be necessary to prevent fraud in the sale within the State, of any stocks, bonds or other securities, and providing penalties for the violation thereof", filed June 29, 1917, in effect January 1, 1918, is hereby repealed, and all other Acts and parts of Acts insofar as they conflict with this Act are hereby repealed.

It shall hereafter be unlawful for any person or corporation to exhibit or in any wise make use of any certificate issued by the Secretary of State under any of the provisions of the Act hereby repealed for the purpose of making or in endeavoring to make any sale of securities.

This repeal shall not affect any contract rights which have arisen under the law hereby repealed, or under the administration thereof, nor invalidate any deposits in escrow or contracts entered into by the issuer of securities for the benefit or security of any person. The Secretary of State shall in all such cases proceed in all respects touching such contracts and escrows as if such law had not been repealed.

Sec. 43. Whereas, an emergency exists, therefore this Act shall be in force and effect from and after its passage and approval.

CASES RELATING TO THE ILLINOIS SECURITIES LAW DECIDED BY THE COURTS OF ILLINOIS

Actions:

1. Mandamus—
People v. Emmerson, 294 Ill. 219.
2. Injunctions—
Fidelity Inv. Assn. v. Emmerson, 235 Ill. App. 9, reversed, 318 Ill., 548.
3. Assumpsit—
Stewart v. Brady, 300 Ill. 425.
4. Petitions in nature of mandamus—
People v. Emmerson, 294 Ill. 219.
5. Conspiracy—
Collins v. Moreland, 242 Ill. App. 626.
People v. Glassberg, 326 Ill. 379.

Attorney's Fees:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
Stewart v. Brady, 300 Ill. 425.

Certificate of Secretary of State:

Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. Gillett, 243 Ill. App. 41.
People v. Love, 310 Ill. 558.

Charging Offense:

Lipcovitz v. Warren Printing Co., 249 Ill. App. 368.
People v. Curtis, 233 Ill. App. 13.
People v. Denney, 248 Ill. App. 653.
People v. Glassberg, 239 Ill. App. 668.
People v. Hill Top Metals Mining Co., 300 Ill. 564.
People v. Love, 310 Ill. 558.
People v. Revesz, 229 Ill. App. 616.
People v. Whitmer, 243 Ill. App. 244.

Common Law Trusts:

Kinross v. Cooper, 224 Ill. App. 111.
People v. Hulbert, 237 Ill. App. 632.
Sims v. American Food Products Co., 243 Ill. App. 323.

Conspiracy:

Collins v. Moreland, 242 Ill. App. 626.
People v. Glassberg, 326 Ill. 379.

Constitutionality of Act:

Jochum v. Thompson Ross & Co., 345 Ill. 587.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
People v. J. O. Beekman & Co. Inc., 347 Ill. 92.

People v. Federal Surety Co., 336 Ill. 472.

People v. Lee, 311 Ill. 552.

Stewart v. Brady, 300 Ill. 425.

Co-operative Associations:

Morrison v. Farmers Elevator Co., 319 Ill. 372.

Creditors:

Howard v. Corn Belt Farmers Co-operative Assn., 225 Ill. App. 449.

Denials:

Fidelity Inv. Assn. v. Emmerson, 318 Ill. 548.

Due Process of Law:

Morrison v. Farmers Elevator Co., 319 Ill. 372.

Stewart v. Brady, 300 Ill. 425.

Emergency:

Graham v. Dye, 308 Ill. 283.

Evidence:

Morrison v. Farmers Elevator Co., 319 Ill. 372.

Piot v. Chartrand, 237 Ill. App. 117.

Matt Sergo v. Bloch and Killips, 263 Ill. App. 198.

Trakas v. Cokins, 224 Ill. App. 327.

Exemptions:

Bunge v. Kirchoff, 251 Ill. App. 119.

Caraher v. First Guardian Co., 268 Ill. App. 389.

Dobal v. Guardian Finance Corp., 251 Ill. App. 220.

Hacker v. Goldberg, 263 Ill. App. 73.

Jaffe v. Goldner, 251 Ill. App. 188.

Laurson v. Memering & Co., 260 Ill. App. 515.

Merrick v. Home Stove and Foundry Co., 255 Ill. App. 362.

Orr v. Croissant, 253 Ill. App. 396.

People v. Denney, 248 Ill. App. 653.

People v. Perlowski, 251 Ill. App. 506.

Stewart v. Brady, 300 Ill. 425.

Wilder National Tavern System v. Jillson, 256 Mich. 479.

Foreign Corporations:

Oppenheimer v. Peabody, Houghteling & Co., 270 Ill. App. 240.

Fraud:

McRoberts v. Combination Fountain Co., 317 Ill. 165.

Wehrwein v. Eastman Springs Beverage Co., 238 Ill. App. 443.

Instructions to Jury:

People v. Revesz, 229 Ill. App. 616.

Intent:

Merrick v. Home Stove & Foundry Co., 255 Ill. App. 362.

Investment Contracts:

Dobal v. Guardian Finance Corp., 251 Ill. App. 220.
Prohaska v. The Hemmer-Miller Dev. Co., 256 Ill. App. 331.

Judicial Notice:

Moore v. United States, 2 Fed (2d.) 839.

Judgment:

Matt Sergo v. Bloch and Killips, 263 Ill. App. 198.

Liability of Officers:

Abrams v. Love, 254 Ill. App. 428.
Dixmoor Golf Club v. Evans, et al, 325 Ill. 612.
Laurson v. Memering & Co., 260 Ill. App. 515.
Wehrwein v. Eastman Springs Beverage Co., 238 Ill. App. 443.

Notes Given for Securities:

Edelbrock v. Rexroth, 232 Ill. App. 646.
Kinross v. Cooper, 224 Ill. App. 111.
McGregor v. Lamont, 225 Ill. App. 451.

Participation Certificate:

Wood v. Meyer, 240 Ill. App. 100.

Pleadings:

Abrams v. Love, 254 Ill. App. 428.
Liberty State Bank v. Aulgar, 231 Ill. App. 498.
Mazer v. Dalbey, 243 Ill. App. 630.
People v. Friedman, et al, 321 Ill. 572.
Stewart v. Brady, 300 Ill. 425.
Trakas v. Cokins, 224 Ill. App. 327.

Purpose of Act:

People v. Lee, 311 Ill. 552.

Repurchase Agreement:

Hoffman v. Gillett, 250 Ill. App. 492.

Review:

Fidelity Inv. Assn. v. Emmerson, 235 Ill. App. 518.
Fidelity Inv. Assn. v. Emmerson, 318 Ill. 548.

Sale by Owner:

Fuchs v. Daskal, 244 Ill. App. 107.
Snitzler-Warner Co. v. Stein, 234 Ill. App. 392.

Statute of Limitations:

Hoffman v. Gillett, 250 Ill. App. 492.

Tender:

Glen v. Dodson, 347 Ill. 473.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
Puntenney v. Mantle, 234 Ill. App. 137.

Puntenney v. Wildeman, 318 Ill. 139, affirming 234 Ill. App. 547.

Weber v. Rupp, 235 Ill. App. 132.

Terms Defined:

1. "Filed"—
People v. Glassberg, 326 Ill. 379.
2. "Sale"—
Illinois-Indiana Fair Association v. Phillips, 241 Ill. App. 454.
Kytenn Oil & Gas Co. v. Parks, 227 Ill. App. 95.
People v. Gillett, 243 Ill. App. 41.
People v. Revesz, 229 Ill. App. 616.
3. "Offering for Sale"—
People v. Hill Top Metals Mining Co., 300 Ill. 564.
4. "Solicitor"—
People v. Curtis, 233 Ill. App. 13.
5. "Speculative"—
Stewart v. Brady, 300 Ill. 425.
6. "Issuer" and "Seller"—
Abrams v. Love, 254 Ill. App. 428.
7. "Re-Sale"—
Jochum v. Thompson Ross & Co., 345 Ill. 587.
8. "Common Stock"—
Adams v. Stratton, 265 Ill. App. 144.
9. "Security"—
McCormick v. Shively, 267 Ill. App. 99.

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Title of Act:

Stewart v. Brady, 300 Ill. 425.

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Void—Voidable:

Caldwell v. Cole, 326 Ill. 502.
Duke v. Olson, 240 Ill. App. 198.
Forsyth v. Kingsbury, 242 Ill. App. 646.
McManus v. Fulton, 85 Mont, 170, 278, P. 26.
Morrison v. Farmers Elevator Co., 319 Ill. 372.
Perkins v. Dale, 240 Ill. App. 20.
Puntenney v. Wildeman, 318 Ill. 139.
Rudolph-Christy Casket Co. v. Tancl, 244 Ill. App. 314.
Weber v. Rupp, 235 Ill. App. 132.
Wood v. Meyer, 240 Ill. App. 100.

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Voting Rights of Stockholders:

People ex rel. The Watseka Telephone Co. v. Emmerson, 302 Ill. 300.

Witnesses:

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